ANNUAL REPORT

For the year ended December 31, 2021

(Amounts in millions of U.S. dollars)

The Netherlands

(State or other jurisdiction of incorporation or organization)

Eagle Super Global Holding B.V.
and subsidiaries

Eagle Intermediate Global Holding B.V.
d/b/a The LYCRA Company

investorrelations@lycra.com

Date posted: May 27, 2022

Confidential
info@linxcapital.com
2023-05-31 17:54:33 +0100

Table of Contents

Certain References 3
Forward-Looking Statements 6
Use of Non-GAAP Financial Measures 7
Risk Factors 8
Business Overview 51
Management's Discussion and Analysis of Financial Condition and Results of Operations 56
Certain Relationships and Related Party Transactions 73
Consolidated Financial Statements (Audited) F-1

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

The LYCRA Company

Certain References

(Amounts in millions of U.S. dollars)

Unless otherwise indicated or the context otherwise requires, references in this annual report to:

- "2003 Purchase Agreement" means that certain purchase agreement by and among E. I. du Pont de Nemours and the Company, the other global sellers identified therein, KED Fiber Ltd. and KED Fiber, LLC, dated as of November 16, 2003.
- "A&AT" means A&AT LLC, a Delaware limited liability company, now known as The LYCRA Company LLC.
- "Acquisition" means the purchase pursuant to the Acquisition Agreement by the U.S. Buyer and the Dutch Buyer of the entire issued share capital and limited liability company interests of the Company.
- "Acquisition Agreement" means the sale and purchase agreement entered into with, among others, INVISTA on October 27, 2017 pursuant to which the U.S. Buyer and the Dutch Buyer agreed to purchase the entire issued share capital and limited liability company interests of the Company, as amended and/or restated from time to time, including on March 28, 2018, December 21, 2018, January 31, 2019, and April 26, 2019.
- "Acquisition Closing Date" means January 31, 2019.
- "Agreed Security Principles" has the meaning set forth in the Indenture.
- "Arteva" means Arteva Global Holdings B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands with corporate seat in Amsterdam and registered with the Dutch chamber of commerce under number 34105868, now known as The LYCRA Company Global Holdings B.V.
- "Collateral" means, subject to the Agreed Security Principles, substantially all of the material assets of each Guarantor.
- "Company" means, together, A&AT and Arteva.
- "COVID-19" means the novel strain of coronavirus characterized by the World Health Organization in March 2020 as a pandemic.
- "Dollar Notes" mean $690 aggregate principal amount of 7.500% Senior Secured Notes due 2025.
- "Dutch Buyer" means Eagle Global Holding B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands.
- "Dutch Co-Issuer" means Eagle Intermediate Global Holding B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands with corporate seat in Amsterdam and registered with the Dutch chamber of commerce under number 71303006.
- "Euro Notes" mean €250 aggregate principal amount of 5.375% Senior Secured Notes due 2023.
- "GAAP" refers to generally accepted accounting principles in the United States of America.

Confidential
info@linxcapital.com
2023-05-31 17:54:33 +0000

Certain References

(Amounts in millions of U.S. dollars)

- "Guarantees" refers to the guarantees of the Issuers' obligations under the Indenture and the Notes by the Guarantors.
- "Guarantors" refers to the guarantor entities party to the Indenture as of the date hereof and any other existing and future subsidiaries of the Dutch Co-Issuer that become guarantors of the Notes in accordance with the Indenture, and each a "Guarantor."
- "Indenture" means the Indenture dated May 4, 2018, by and among Eagle Intermediate Global Holding B.V. and Ruyi US Finance LLC, as Issuers, Eagle Super Global Holding B.V., as Parent, Wilmington Trust, National Association, as trustee (the "Trustee") and Initial Paying Agent, Registrar and Transfer Agent in respect of Dollar Notes, Deutsche Bank AG, London Branch, as Initial Paying Agent and Transfer Agent in respect of Euro Notes, Deutsche Bank Luxembourg SA, as Authenticating Agent and Registrar in respect of Euro Notes and Wilmington Trust (London) Limited, as Security Agent, as amended and/or supplemented from time to time.
- "Intercreditor Agreement" means the Intercreditor Agreement dated May 4, 2018, among the lenders and agent under the Revolving Credit Facility Agreement, the Trustee, the Security Agent as well as certain hedging counterparties, as amended, restated, and supplemented to date.
- "INVISTA" refers, collectively, to KoSa Foreign Investments S.à r.l., INVISTA S.à r.l. and INVISTA Equities, LLC.
- "Issue Date" means May 4, 2018.
- "Issuers" refers to the Dutch Co-Issuer and the U.S. Co-Issuer.
- "Jining Ruyi" means Jining Ruyi Fibers Co. Ltd., a direct-subsidiary of Ruyi.
- "kt" means kiloton.
- "La Porte" refers to The LYCRA Company's polyurethane intermediates manufacturing facility located in La Porte, Texas, which was shut down in October 2020.
- "Laika" means Laika New Material (Foshan) Co., Ltd., a majority-owned joint venture with a related party minority partner, Wanzhong, and equity affiliate of Chuanglai Fiber (Foshan) Co., Ltd., a wholly owned subsidiary of The LYCRA Company.
- "MDI" means methylene diphenyl diisocyanate, a chemical compound used in the production of certain of our products.
- "Non-Guarantors" or "Non-Guarantor Subsidiaries" refers to any subsidiaries of the Dutch Co-Issuer that are not Guarantors.
- "Notes" refers to the Dollar Notes and the Euro Notes, collectively.
- "Offering" refers to the offering of the Notes.
- "Offering Memorandum" refers to the offering memorandum dated April 20, 2018, pursuant to which the Notes were offered to investors.

Confidential
info@lnx-capital.com
2023-05-31 17:54:33 +0100

Certain References

(Amounts in millions of U.S. dollars)

- "Parent" means Eagle Super Global Holding B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands with corporate seat in Amsterdam and registered with the Dutch chamber of commerce under number 71297936, the direct parent of the Issuers.

- "PRC" means the People's Republic of China.

- "Promissory Note" means the promissory note dated January 31, 2019 between Arteva and A&AT as debtors and INVISTA, as lenders, which has been repaid in full.

- "PTMEG" means polytetramethylene ether glycol, a chemical compound used in the production of certain of our products.

- "Purchase Price Allocation" means the adjustment to acquired assets and liabilities to their estimated fair value as of the Acquisition Closing Date.

- "Revolving Credit Facility" or "RCF" means the $100 super senior revolving credit facility provided for in the Revolving Credit Facility Agreement.

- "Revolving Credit Facility Agreement" means the Revolving Credit Facility Agreement governing the $100 super senior revolving credit facility, dated May 4, 2018 among Parent, the Issuers, JPMorgan Chase Bank, N.A. and Barclays Bank PLC as mandated lead arrangers, JPMorgan Chase Bank, N.A. as facility agent (the "Facility Agent"), Wilmington Trust (London) Limited as security agent ("Security Agent") and the original lenders specified therein.

- "Ruyi" means Shandong Ruyi Technology Group Co., Ltd.

- "SEC" means the U.S. Securities and Exchange Commission or any successor thereto.

- "Subsidiary Guarantors" means all of the Guarantors other than Parent.

- "Taiwan Acquisition" means the purchase pursuant to the Taiwan Acquisition Agreement by the U.S. Buyer, whether directly or through an affiliate of the U.S. Buyer, of the entire issued share capital of INVISTA (Taiwan) Limited.

- "Taiwan Acquisition Agreement" means the sale and purchase agreement dated March 28, 2018 with, among others, INVISTA and Ruyi, pursuant to which the U.S. Buyer agreed to purchase, whether directly or indirectly or through an affiliate of the U.S. Buyer, the entire issued share capital of INVISTA (Taiwan) Limited, as amended and/or restated from time to time, including on December 21, 2018, April 26, 2019, May 31, 2019, and August 19, 2019.

- "Transactions" refers to the Acquisition and the Taiwan Acquisition.

- "U.S. Buyer" means Ruyi US Acquisition Corp., a Delaware corporation.

- "U.S. Co-Issuer" means Ruyi US Finance LLC, a Delaware limited liability company.

- "Wanzhong" means Jining Ruyi Wanzhong Venture Capital Management Partnership, a related party minority interest owner of Laika, and a Limited Partnership controlled by Ruyi.

Confidential info@linx-capital.com 2023-05-31 17:54:33 +0100

The LYCRA Company

Forward-Looking Statements

(Amounts in millions of U.S. dollars)

Certain of the statements made in this annual report may be considered to be "forward-looking statements" within the meaning of the U.S. securities laws and the securities laws of certain other jurisdictions, such as statements that include the words "aim," "expect," "estimate," "believe," "project," "plan," "anticipate," "should," "intend," "probability," "risk," "may," "will," "assume," "target," "goal," "objective," "continue," "could," "forecast," "guidance," "potential," "predict" and similar expressions or variations on such expressions. These statements appear in a number of places throughout this annual report.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include those described in the "Risk Factors" section of this annual report. Those factors should not be construed as exhaustive and should be read with the other cautionary statements in this annual report.

In light of these risks, uncertainties, and assumptions, the forward-looking events described in this annual report may not be accurate or occur at all.

We undertake no obligation, and do not intend, to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including changes in our business or strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events. New risks emerge from time to time and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We provide a cautionary discussion of risks and uncertainties under "Risk Factors" contained elsewhere in this annual report. These are factors that we think would cause our actual results to differ materially from expected results. Other sections of this annual report describe additional factors that could adversely affect our business, financial condition, or results of operations. These factors are not exhaustive and other factors besides those listed could also adversely affect us.

We urge holders of the Notes to read carefully the sections of this annual report entitled "Risk Factors" for a more detailed discussion of the factors that could affect our future performance and the markets in which we operate.

Confidential
info@lmxcapital.com
2023-05-31 17:54:54 +0100

The LYCRA Company

Use of Non-GAAP Financial Measures

(Amounts in millions of U.S. dollars)

Non-GAAP Financial Measures

In this annual report, in addition to GAAP financial measures, we present "EBITDA" and "Adjusted EBITDA", which are not financial measures under GAAP or any other internationally accepted accounting principles. We present these financial measures (1) because they are used by our management to monitor our financial results and available operating liquidity, and (2) to represent similar measures that are often used by certain bondholders, securities analysts, and other interested parties as supplemental measures of financial position, financial performance, and liquidity. We believe these measures enhance the bondholders' understanding of indebtedness and our current ability to fund our ongoing operations.

We define each of the following non-GAAP financial measures as follows:

- "EBITDA" consists of consolidated net income (loss) adjusted to eliminate (1) interest expense, (2) income tax (benefit) expense, and (3) depreciation and amortization.
- "Adjusted EBITDA" consists of EBITDA adjusted for (1) non-operating income or expense, (2) the impact of certain non-cash and other items that are included in net income for the periods presented that we do not consider indicative of our ongoing operating performance, and (3) unusual items impacting results in a particular period to more accurately reflect management's view of the recurring profitability of the business.

Neither EBITDA nor Adjusted EBITDA as presented in this annual report is necessarily the same as Consolidated EBITDA as defined in the Indenture or the Revolving Credit Facility, which will be used for purposes of certain covenants under the Indenture and the Revolving Credit Facility.

The foregoing non-GAAP financial measures are not measures based on GAAP, and you should not consider such items as an alternative to the historical financial results or other indicators of our position or performance based on GAAP. The non-GAAP financial measures, as defined by us, may not be comparable to similarly-titled measures as presented by other companies due to differences in the way our non-GAAP financial measures are calculated. The non-GAAP financial information contained in this annual report is not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC. Even though the non-GAAP financial measures are used by management to assess our financial position, financial results, and liquidity, and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our financial position or results of operations as reported under GAAP.

The LYCRA Company
Risk Factors
(Amounts in millions of U.S. dollars)

You should carefully consider the following risks and uncertainties described below and the other information in this annual report, including the discussion set forth in "Forward-Looking Statements" as well as the audited consolidated financial statements and related notes included elsewhere in this annual report. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition, or results of operations. If any of the possible events described below were to occur, our business, financial condition, or results of operations could be materially and adversely affected.

Risks related to our business

The markets for our products are subject to business cycles and volatility that, together with, and in addition to, unfavorable economic conditions, could adversely affect our ability to maintain profitable margins.

Historically, the markets for many of our products are subject to periodic business cycles that result in alternating periods of tight supply (causing prices and profit margins to increase), followed by periods of production capacity additions (resulting in oversupply, declining prices, and reduced profit margins). Periods in which general economic conditions reduce overall demand for these goods further exacerbate the adverse impact on our ability to maintain product prices and production volumes. These markets also experience volatility as a result of changes in the supply and demand for products, changes in raw materials and energy prices, and changes in various other economic conditions around the world. The cyclicality and volatility in these markets could result in significant fluctuations in profits and cash flow from period to period over the business cycle.

Unfavorable economic conditions or an uncertain economic outlook in one or more of the principal markets in which we operate, particularly in the PRC, Western Europe, and the United States, or will operate in the future, could significantly adversely affect our net sales, growth, and profitability, and could have a material adverse effect on our business, financial condition, or results of operations. Accordingly, we can provide no assurance that we will be able to maintain profitable margins during periods of oversupply or reduced demand over the course of these business cycles.

Our business and results of operations may be adversely affected by the coronavirus outbreak or other similar outbreaks.

Our global operations expose us to risks associated with public health crises, such as pandemics and epidemics, which could harm our business and cause operational results to suffer. As a result of the coronavirus, COVID-19, our operations, and those of our customers and suppliers, experienced delays or disruptions, such as difficulty obtaining required materials, suspension of operations, limitations on our ability to access office locations, and difficulties in processing orders and shipping goods. Due to the significant spread of COVID-19 and the resulting widespread health crisis, global economies have been adversely affected, resulting in an economic downturn that affected our operating results in 2020 and 2021. For example, throughout 2020, COVID-19 affected, among other things:

- Consumer confidence and consumer spending habits, including spending for the merchandise that contains our products;
- Decreased purchases by our customers and the increased likelihood of customer default.

Confidential
info@lmx-capital.com
2023-05-31 17:54:33 +0100

And throughout both 2020 and 2021, COVID-19 affected, among other things:

- Disruption to the supply chain caused by distribution and other logistical issues;
- Decreased productivity due to travel ban, work-from-home policies, or shelter-in-place orders; and
- Increased costs and disruptions due to governmental health and safety mandates.

The most significant financial impact to our business was during the three months ended June 30, 2020. As a response to the decline in demand, our spandex facilities operated at 60% of normal operating capacity in order to conserve cash during that period in 2020.

The extent to which the COVID-19 pandemic will continue to impact our business, financial condition, and results of operations will depend on numerous evolving factors that are unpredictable, including: the duration and scope of the pandemic; governmental, business, and individuals' actions that have been and continue to be taken in response to the pandemic; and the impact of the pandemic on global economic activity, unemployment levels, and financial markets, including the possibility of a global recession and volatility in the global capital markets which, among other things, may increase the cost of capital and adversely impact our access to capital.

We are unable to predict the ultimate magnitude and duration of economic disruption from the COVID-19 pandemic and the more recent appearance of COVID variants or the re-imposition or continuation of restrictive measures designed to combat the COVID-19 pandemic by national, regional, and local governments. The other risk factors identified within this document may be exacerbated by the effects of COVID-19 and the related economic, monetary, and political impact (and potential disruption) with respect to it.

Any of the foregoing could materially and adversely affect our business, financial condition, and results of operations.

Volatility in the cost of our raw materials and energy, or a disruption in the supply of raw materials, may adversely affect our business, financial condition, or results of operations.

Raw material and energy costs represent significant components of our operating costs. Our results of operations can be directly impacted positively and negatively by volatility in the cost of our primary raw materials (PTMEG, MDI, and nylon intermediates) and energy (power and natural gas), on an absolute and relative price basis. We also purchase polyester products for resale and the cost of these products can vary with raw material costs and market conditions. Price volatility for raw materials and energy costs can result in price fluctuations for our products, which in turn can impact demand for our products. Additionally, we may be limited in our ability to pass through cost increases related to higher raw materials and energy costs. Crude oil price is a key driver of the cost of raw materials because higher crude oil prices generally lead to higher costs for raw materials for both us and our competitors.

Inflation can have a long-term impact on our business because increasing costs of raw materials, energy and labor may impact our ability to maintain satisfactory margins. Our inability to offset material price inflation through increased prices to customers, formula-based or long-term fixed price contracts with suppliers, productivity actions, or commodity hedges could adversely affect our business, financial condition, or results of operations. This situation of high inflation in raw material cost was evidenced during 2021 as we experienced unprecedented increases in the cost of PTMEG which we were able to largely offset by increasing the price of our products in order to minimize the impact on our margins.

We have increased our number of suppliers over the past decade, but we still depend upon a number of single-source suppliers for certain raw materials used in our products. In some cases, this is due to favorable contracts where alternate sources may be available, but a number of specialty additives are only available from single sources. In some cases, it may be possible to find similar products to replace the products purchased from these suppliers, but the redevelopment of a formulation is time consuming and may result in changes to final product properties. Our dependence upon these and other single-source suppliers of raw materials exposes us to several risks, including disruptions in supply, price increases, late deliveries, and an inability to meet customer demand.

If the availability of raw materials or energy is limited, we may be unable to produce products in the quantities required, which could adversely impact utilization rates and results of operations. In 2017, force majeure declarations at our two acetylene suppliers as a result of Hurricane Harvey resulted in the cessation of certain operations at our (now closed) La Porte facility for about four months until the suppliers could resume production and lower initial 2018 site inventory levels extended purchasing requirements for PTMEG. Production problems, an act of God, a severe weather event or a global pandemic, or political or civil instability in the home countries of our suppliers may affect supply and market costs in the future. We can provide no assurance that there will not be a shortage of available raw materials and energy or that we will not experience increases in the cost or volatility of raw materials and energy. Increases in the volatility, cost or cost spreads of raw materials or energy could significantly reduce our operating margins and have a material adverse effect on our business, financial condition, or results of operations.

Additionally, a significant portion of our manufacturing operations are conducted in North America, Europe, Asia, and South America. Many of our competitors have concentrated manufacturing facilities in Asia. The costs of raw materials and energy supplies can vary by region due to local supply and demand factors, transportation costs, and government policies. Some competitors may have an advantage in the variable costs of their manufacturing operations to the extent that their raw materials and energy costs are lower than ours. Relatively higher costs for raw materials and energy could adversely affect our business, financial condition, or results of operations if we are unable to pass through higher costs to our customers. Increased costs to our customers could lead to customer dissatisfaction, damage to our reputation, customers switching to competitive products, or loss of sales.

The impact of inflation and other drivers of the costs of raw materials may impact our available working capital. In turn, this may require us to dedicate a substantial portion of our cash flow from operations to payments in the ordinary course of operations, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes. Reduced or insufficient working capital may have a material adverse effect on our business, financial condition, or results of operations

Our business could be adversely affected by disruptions in our supply chain.

We purchase our raw materials and components from a number of national and international suppliers and we may be susceptible to quality problems, supply shortages, disputes with suppliers, or price increases. Supply shortages or price increases could adversely affect our business, financial condition, and results of operations.

Any significant disruption or other adverse event affecting our relationship with any of our major suppliers could adversely affect the results of our financial condition and our operations. If we need to replace any of our major suppliers, we may face risks and costs associated with a transfer of operations. In addition, a failure to replace any of our major suppliers on commercially reasonable terms, or at all, could have a material adverse effect on our results of operations and financial condition.

Confidential
info@lnx-capital.com
2023-05-31 17:54:35 +0000

We cannot be certain that our suppliers will continue to deal with us on the terms they currently do, or will be able to continue to supply us with raw materials on terms which allow our products to be competitive, if at all. Our inability to obtain sufficient quantities of these raw materials and components, or to develop alternative sources if required, could result in delays and increased costs in our operations or our inability to properly maintain our existing level of operations. Any of these occurrences could adversely affect our business, financial condition, and results of operations.

In the event that one or more of our major suppliers chooses to cease providing us with supplies or experiences operational difficulties, and we are unable to secure alternative sources in a timely manner or on commercially beneficial terms, we may experience inventory shortages, delays in manufacturing processes, or other adverse effects to our business. If our suppliers are unable or unwilling to continue providing us with supplies under our presently agreed terms, or if we are unable to obtain goods from our suppliers at prices that will allow our products to be competitively priced, there could be a material adverse effect on our business, financial condition, and results of operations.

Our substantial and expanding international operations are subject to uncertainties which could adversely affect our business, financial condition, or results of operations.

We manufacture products directly and through joint ventures in eight countries and have sales within more than 80 countries in North America, Europe, Asia, and South America. International operations and business expansion plans are subject to numerous additional risks, including:

- compliance with U.S. or foreign regulations concerning bribery and corruption, such as the U.S. Foreign Corrupt Practices Act ("FCPA") and the U.K. Bribery Act 2010 ("U.K. Bribery Act");
- compliance with U.S. Department of Commerce or other U.S. and non-U.S. regulations concerning economic sanctions and export controls;
- changes in duties and tariffs, license obligations, and other non-tariff barriers to trade, such as quotas and local content rules;
- difficulty enforcing agreements and collecting receivables through some foreign legal systems;
- protecting, maintaining, and defending our intellectual property and proprietary processes, particularly in countries where intellectual property rights are not as well protected as in the United States;
- fluctuations in foreign currency exchange rates;
- longer payment cycles of customers in some foreign countries;
- our ability to execute cash movements or repatriations of cash, as necessary, between our various U.S. and foreign subsidiaries and co-investments;
- general economic, social, or political conditions in the countries in which we operate;
- possible unexpected or adverse changes in the legal, political, or economic framework of countries in which we produce or sell products;

Confidential
info@inxcapital.com
2023-05-31 17:54:53 +0100

- the imposition of withholding taxes or other taxes, or the adoption of other restrictions on foreign trade or investment, including currency exchange controls, which could restrict our ability to transfer our cash flow;
- staffing difficulties, national or regional labor strikes or other labor disputes, which could impact our ability to hire or retain staff;
- exposure to the imposition of price controls;
- challenges remaining competitive with other retailers with potentially better knowledge of the local market;
- exposure to different customer demand dynamics;
- compliance with U.S. and international antitrust and competition laws and regulations;
- increased trade tariffs following the U.K.'s withdrawal from the EU;
- difficulties in penetrating new markets due to entrenched competitors, lack of recognition of our brand, and lack of local acceptance of our products and services;
- differing business practices, which may require us to enter into agreements that include non-standard terms;
- exposure to varying duty rates as a portion of our production is exported from facilities in countries where our products are manufactured;
- the risk that U.S. and foreign governments may adopt laws or regulations or take other actions that would negatively impact our business and market opportunities, including nationalization of private enterprises;
- increased costs of transportation and shipping; and
- new tax regulations, direct and indirect, in the United States and the various international jurisdictions where we operate.

Any of these factors, or other similar factors, could have a material adverse effect on our existing international operations and, consequently, our business, financial condition, or results of operations.

Power outages may disrupt our business.

We have significant operations in the PRC which have been increasingly susceptible to power outages in different provinces, which could disrupt our operations. In the event of a significant power outage, we may be unable to continue our operations which may result in system interruptions, reputational harm, lengthy interruptions at our facilities, breaches of security, and loss of critical data, all of which would harm our business, results of operations, and financial condition. The insurance we maintain would likely not be adequate to cover our losses resulting from power outages that cause material business interruptions. Our disaster recovery plan may not be sufficient to address all aspects of any unanticipated consequence or incident, and we may not be able to maintain business continuity at profitable levels or at all.

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

Our international operations require us to comply with trade restrictions such as economic sanctions and export controls.

We are subject to trade restrictions, including laws and regulations relating to economic sanctions and export controls, imposed by governments around the world with jurisdiction over our operations, which prohibit or restrict transactions involving certain designated persons and certain designated countries or territories, including Cuba, Iran, Sudan, Syria, North Korea, Venezuela, Russia, and the Crimea Region of Ukraine. Our failure to successfully comply with these laws and regulations may expose us to reputational harm, as well as significant sanctions, including criminal fines, imprisonment, civil penalties, disgorgement of profits, injunctions, debarment from government contracts, and other remedial measures. Investigations of alleged violations can be expensive and disruptive. We maintain policies and procedures designed to comply with these laws and regulations. As part of our business, we may, from time to time, engage in limited sales and transactions involving certain countries that are targets of economic sanctions, so long as these sales and transactions are permissible under applicable economic sanctions laws and regulations. However, we cannot predict the nature, scope, or effect of future regulatory requirements. We can provide no assurance that broader laws and regulations relating to economic sanctions and export controls will not be imposed or that existing laws and regulations will not be changed so as to affect existing authorizations relating to economic sanctions and export controls, nor can we predict the manner in which existing laws and regulations might be administered or interpreted. Further, we cannot guarantee that our policies and procedures will be effective in preventing violations, which could adversely affect our business, financial condition, or results of operations.

Our failure to comply with the anti-corruption laws of the United States and various international jurisdictions could negatively impact our business, financial condition, or results of operations.

Doing business on a worldwide basis requires us to comply with anti-corruption laws and regulations imposed by governments around the world with jurisdiction over our operations, which may include the FCPA and the U.K. Bribery Act, as well as the laws of the countries where we do business. These laws and regulations may restrict our operations, trade practices, investment decisions, and partnering activities. The FCPA and the U.K. Bribery Act prohibit us and our officers, directors, employees, and business partners acting on our behalf (including agents) from corruptly offering, promising, authorizing, or providing anything of value to foreign government officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The U.K. Bribery Act also prohibits non-governmental commercial bribery, soliciting, or accepting bribes and "facilitation payments," or small payments to low-level government officials to expedite routine approvals. We are subject to the jurisdiction of various governments and regulatory agencies around the world, which may bring our personnel and representatives into contact with foreign government officials responsible for issuing or renewing permits, licenses, or approvals or for enforcing other governmental regulations. In addition, some of the international locations in which we operate lack a developed legal system, and others are perceived to have elevated levels of public corruption. Our global operations expose us to the risk of violating, or being accused of violating, anti-corruption laws and regulations. Our failure to successfully comply with these laws and regulations may expose us to reputational harm, as well as significant sanctions, including criminal fines, imprisonment, civil penalties, disgorgement of profits, injunctions, and debarment from government contracts, as well as other remedial measures. Investigations of alleged violations can be expensive and disruptive.

Foreign companies, including some that may compete with us, are not always subject to the prohibitions listed above, and therefore may have a competitive advantage over us. We maintain policies and procedures reasonably designed to comply with applicable anti-corruption laws and regulations. However, we cannot guarantee that our policies and procedures will effectively prevent violations by our employees, agents, or

representatives for whom we may be held responsible, and any such violation could adversely affect our business, financial condition, or results of operations.

Our failure to effectively manage and execute our capital projects, acquisitions and other business strategies could have a material adverse effect on our business, financial condition, or results of operations.

From time to time, we have invested, and we expect to continue to invest, in capital projects, acquisitions, and other strategies that we believe to be consistent with our business and growth objectives. These investments may create risks, such as the potential disruption of our ongoing business, loss of management focus on existing businesses, inability to retain key personnel, cost overruns, delays in capital investment projects, loss or weakening of intellectual property rights, and incurrence of additional unknown liabilities, among others.

If we fail to successfully manage and execute our capital investment projects, including meeting target costs, completion deadlines, or operating specifications, such failure in management and execution could adversely affect our business and growth objectives. Similarly, our inability to successfully execute on, integrate, and develop any future acquired businesses could result in our failure to achieve anticipated synergies, cost savings, and increases in profitability that are material to our business and growth objectives. In particular, organizational changes could result in business disruptions and the loss of key personnel. Any failure to successfully execute our business strategies and to achieve our business and growth objectives could have a material adverse effect on our business, financial condition, or results of operations.

We may need to recognize impairment charges related to goodwill, identified intangible assets, and fixed assets.

We received substantial balances of goodwill and identified intangible assets as a result of the Transactions, and to the extent that we undertake future acquisitions, these balances may increase. We are required to test goodwill and any other intangible asset with an indefinite life for possible impairment on the same date each year and on an interim basis if there are indicators of a possible impairment. We are also required to evaluate amortizable intangible assets and fixed assets for impairment if there are indicators of a possible impairment.

There is significant judgment required in the analysis of a potential impairment of goodwill, identified intangible assets, and fixed assets. If, as a result of a general economic slowdown, deterioration in one or more of the markets in which we operate, or impairment in our financial performance and/or future outlook, the estimated fair value of our long-lived assets decreases, we may determine that one or more of our long-lived assets is impaired. An impairment charge would be recorded if the estimated fair value of the assets is lower than the carrying value, and any such impairment charge could have a material adverse effect on our business, financial condition, or results of operations.

We face intense competition in highly competitive global markets and are subject to significant price pressures.

We face intense competition in highly competitive global markets and compete with companies that use technologies that are widely available and have low barriers to entry. Many of the products we make are subject to competition from generic alternatives or substitute products that can be produced readily by new or existing competitors. Because generic products have little or no distinguishing qualities from producer to producer, competition with generic products is based primarily on price, which is determined by supply relative to demand.

Confidential
info@inx-capital.com
2023-05-31 17:54:53 -0100

For example, generic fibers continue to increase their share of the global market, particularly in applications that do not require higher quality or technical materials, and competitors may continue to increase their generic fiber production capabilities. The increased production capacity, quality, and price competition of generic fiber may decrease demand for our differentiated products or erode the value of premium brands that we own (such as our LYCRA® fiber), potentially forcing us to lower our product prices or reduce our production volumes.

We also compete with some of the world's largest fiber manufacturers. Our competitors may be able to adapt to changes in customer preferences or spend more effectively on research and development or be more successful in developing their brand reputation. If we are unable to compete effectively with our competitors' product and manufacturing process innovations or cost position improvements, we could lose market share to our competitors. Some of these companies may be able to produce products more economically, have greater financial, technological, and other resources, and may be better able to withstand changes in market conditions.

As a result, competition in any of our businesses could compel us to reduce the prices of our products and reduce our production volumes, which could result in lower profit margins, loss of our current share of market sales and may have a material adverse effect on our business, financial condition, or results of operations.

Our business is dependent on our intellectual property. If our trademarks or patents are declared invalid or generic, or our proprietary knowledge and information become known to our competitors, our ability to compete may be adversely affected.

Protection of our trademarks, patents, proprietary processes, apparatuses, and other technologies is important to our businesses. We also manage a trademark portfolio (including the LYCRA®, LYCRA HyFit®, COOLMAX®, THERMOLITE®, LYCRA® T400®, ELASPAN®, SUPPLEX® and TACTEL® trademarks) that is important in maximizing the benefits of our various product brands. We may not be able to protect our rights to these trademarks or may be forced to stop using these names, which are integral to our name recognition by potential partners or customers. Equally, we can provide no assurance that any of our intellectual property, or the intellectual property that we license, will not be challenged, invalidated, circumvented, declared generic, or rendered unenforceable, or that unpatented proprietary knowledge and technical information will be protected. We also will be unable to prevent third parties from using our patented inventions when such patents expire.

Furthermore, we cannot guarantee that any pending patent or trademark application that we file will result in an issued patent or trademark. If any such application does not result in an issued patent or trademark, or if patents or trademarks are issued to us but do not provide meaningful protection of our intellectual property, then the use of any such intellectual property by our competitors could have a material adverse effect on our business, financial condition, or results of operations.

We also rely upon our unpatented proprietary knowledge and information and continuing technological innovation and other trade secrets to develop and maintain our competitive position. While we generally enter into confidentiality agreements with our employees and third parties to protect our intellectual property, these confidentiality agreements may be breached, may not always be executed, may not be enforceable, may not provide meaningful protection, or adequate remedies may not be available. Others could also obtain knowledge of trade secrets through independent development or other access (whether legal or illegal).

The failure of our patents or confidentiality agreements to protect our processes, apparatuses, technology, trade secrets, or proprietary knowledge and information, and the cost of protecting this information, could render us unable to prevent third party use of this information and could have a material adverse effect on our business, financial condition, or results of operations.

Our efforts to protect our intellectual property may be less effective in some countries where intellectual property rights are not as well recognized or protected as in the United States.

The laws of some countries do not protect proprietary rights to the same degree as the laws of the United States and there is a risk that our ability to protect our proprietary rights may not be adequate in these countries. Many companies have encountered significant problems in protecting their proprietary rights against copying, infringement, or misappropriation in such countries, some of which are countries in which we currently sell or intend to sell our products or do business. In particular, the application of laws governing intellectual property rights in the PRC is uncertain and evolving and could involve substantial risks to us. If we are unable to adequately protect our intellectual property rights in the PRC or elsewhere, our business, financial condition, or results of operations could be materially adversely affected. In addition, our competitors in the PRC and other countries may independently develop similar technology or duplicate our products, even if unauthorized, which could potentially reduce our sales in such countries and harm our business, financial condition, or results of operations.

We may face intellectual property infringement claims that could be costly to defend and result in the loss of significant rights.

From time to time, we may receive notices from third parties claiming infringement by our products and services of third-party patent and other intellectual property rights. As the number of products and services in our markets increases and the functionality of these products and services further overlaps, we may become increasingly subject to claims by a third party that our products and services infringe such party's intellectual property rights. In addition, there is a growing occurrence of patent suits being brought by organizations that use patents to generate revenues without manufacturing, promoting, or marketing products, or investing in research and new product development in bringing products to market. These organizations continue to be active and target whole industries as defendants. We may not prevail in any such litigation given the complex technical issues and inherent uncertainties in intellectual property litigation.

If an infringement suit against us is successful, we may be required to compensate the third party bringing the suit either by paying a lump sum or ongoing license fees to be able to continue selling a particular product or service. This type of compensation could be significant. We might also be prevented or enjoined by a court from continuing to provide the affected product or service and may be forced to significantly increase our development efforts and resources to redesign such product or service. We may also be required to defend or indemnify any customers who have been sued for allegedly infringing a third party's patent in connection with using one of our products or services. Responding to intellectual property claims, regardless of the validity, can be time-consuming for our personnel and management, result in costly litigation, cause product shipment delays, and harm our reputation, any of which could adversely affect our business, financial condition, or results of operations.

We may also become involved in litigation against third parties, including infringement, breach of confidence, oppositions, invalidity, or ownership actions in order to protect and maintain our intellectual property and prevent third party use, which could be costly to our business and in which it is not guaranteed that we will be successful.

We may not be able to maintain intellectual property licenses which are material to our business.

We license intellectual property to and from third parties and we cannot guarantee that such licenses will remain in place or continue to remain complied with, or that such licenses will be renewed when they expire.

Confidential
info@linxcapital.com
2023-05-31 17:54:33 +0100

The termination or expiration of these licenses could lead to loss of revenue for our business or could render us unable to use third party intellectual property that we currently use in our business.

We depend upon our information technology systems, which are subject to interruption and failure.

Our business operations could be disrupted if our information technology systems fail to perform adequately. The efficient operation of our business depends on our information technology systems, some of which are managed by third-party service providers. We rely on our information technology systems to effectively manage our business data, communications, supply chain, order entry and fulfillment, and other business processes.

The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing our business, financial condition, or results of operations to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power outages, systems failures, security breaches, cyber-attacks, and viruses. For example, in August 2021, we reported that we had experienced a cyberattack on our computer network. This caused manufacturing and shipment disruption in some of our plants which caused delays in the delivery of certain products to customers. Modest costs were incurred to resolve these network issues. Any damage or interruption in the future could have a material adverse effect on our business, financial condition, or results of operations.

Our production facilities process hazardous materials that subject us to operating and legal risks, and regulations concerning the security of manufacturing facilities and the manufacturing, storage, transportation, and disposal of hazardous chemicals could adversely affect our business, financial condition, or results of operations.

Our facilities, which are located in North America, South America, Europe, and Asia, as well as those of our co-investments, are subject to various hazards and operating risks associated with manufacturing and the related use, storage, transportation and disposal of feedstocks, products, and wastes, including pipeline or storage tank leaks and ruptures, fires or explosions, spills or unauthorized releases of hazardous materials, mechanical failures, failures of pollution control or safety equipment, and severe weather, among others.

These events can cause personal injury and loss of life, catastrophic damage to or destruction of property and equipment and environmental and natural resource damage, and may result in substantial losses to us, a suspension of operations, the imposition of civil or criminal penalties, damage to our public reputation and brand and diminished product acceptance. We could become subject to legal claims for environmental remediation, natural resource damages or personal injury, brought by governmental entities or third parties. In particular, a shutdown over an extended period at any of our major operating facilities or any claims related to any future release of hazardous materials or other environmental, health or safety accident at any of our facilities could have a material adverse effect on our business, financial condition, or results of operations.

The Occupational Safety and Health Act ("OSHA") and comparable state statutes regulate the protection of the health and safety of workers. In December 2015, the U.S. Departments of Justice and Labor announced a plan to more frequently and effectively prosecute worker health and safety violations, including enhanced penalties. In addition, the OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state, and local governmental authorities, as well as the public. OSHA also imposes process safety management requirements for the management of hazards associated with processes using certain hazardous chemicals.

Confidential
info@inx-capital.com
2023-05-31 17:54:53 +0100

From time to time, we receive and investigate complaints concerning potential violations of OSHA and other comparable state statutes at our facilities.

Our operations and assets are subject to extensive environmental, health and safety laws and regulations.

As a manufacturing business, our facilities and operations, as well as those of our co-investments, are subject to many environmental, health and safety laws and regulations in the jurisdictions in which we operate and are regularly monitored by regulatory authorities. This includes extensive foreign, federal, state, provincial, and local laws and regulations pertaining to pollution, as well as protection of the environment and human health and safety, which govern, among other things, emissions to the air, discharges onto land or into waters, maintenance of safe conditions in the workplace, remediation of contaminated sites and natural resource damages, and generation, handling, release, storage, transportation, treatment and disposal of hazardous and solid waste materials. These laws and regulations, including the terms of environmental permits required for our operations, can require the installation of costly pollution control equipment or implementation of costly operational changes to limit emissions and discharges and/or reduce the likelihood or impact of hazardous substance releases. Violations of these requirements can result in the imposition of substantial fines and potential civil or criminal sanctions or costly third-party damage claims.

In addition, certain environmental laws impose strict liability (i.e., no showing of "fault" is required) as well as joint and several liabilities for the investigation, remediation, and/or restoration of sites where hazardous substances or solid wastes have been stored or released. As an owner or operator of an asset, we may be required to investigate or remediate contaminated properties currently or formerly owned or operated by us, or facilities of third parties that received waste generated by our operations, regardless of whether such contamination resulted from the conduct of others or from the consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken. In connection with certain acquisitions, we could acquire, or be required to provide indemnification against, environmental liabilities that could expose us to material losses. Furthermore, the existence of contamination at properties we own, lease, or operate could result in increased operational costs or restrictions on our ability to use those properties as intended. For example, certain of our assets and business operations that were previously owned by DuPont are currently subject to corrective action or similar remediation obligations pursuant to the federal Resource Conservation and Recovery Act ("RCRA") or other similar statutes. Under the terms of the 2003 Purchase Agreement conveying such assets and operations, DuPont agreed to retain ownership of certain sites with known contamination until the active remediation is complete. In addition, DuPont agreed to provide an indemnity against specified environmental liabilities arising with respect to the business prior to the closing of that transaction, including liabilities with respect to pre-closing exposure to hazardous materials, offsite waste disposal or offsite migration of existing contamination, and release of hazardous substances or violations of environmental laws at various locations. If for any reason we do not receive the benefit of that environmental indemnification, we could incur material costs in respect of the known contamination and related litigation matters or other matters arising in the future that result from historical operations of the facilities or business being acquired.

We cannot predict future developments with respect to changes in environmental, health and safety laws or regulations, inspection and enforcement policies, or related compliance costs or the extent of our liabilities and costs as a result of those potential future changes. New environmental laws or regulations may impose substantial liabilities and costs on us and require us to pay damages or penalties in connection with practices that were legal prior to the effectiveness of the new laws or regulations. For example, environmental advocacy groups and regulatory agencies in the United States and other countries in which our operations are conducted have been focusing considerable attention on the emissions of greenhouse gases ("GHGs") and their potential

role in climate change. In October 2009, the U.S. Environmental Protection Agency (the "EPA") published a rule for the mandatory reporting of GHGs from sources that emit 25,000 metric tons or more of carbon dioxide equivalent per year in the United States in 41 industrial categories. The collection of this emissions data is expected to guide development of policies and programs to impose restrictions on the emission of GHGs in the United States. In addition, in December 2015, member countries at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France negotiated an agreement (the "Paris Agreement") which calls for the parties to undertake "ambitious efforts" to limit the average global temperature, and to conserve and enhance sinks and reservoirs of GHGs. The Paris Agreement entered into force in November 2016. Certain nations in which we have manufacturing operations, including the United States, ratified or otherwise indicated that they intend to comply with the Paris Agreement. In June 2017, the then United States President Trump announced that the United States plans to withdraw from the Paris Agreement and, in August 2017, the United States submitted a communication to the United Nations, as depositary for the Paris Agreement, regarding the United States' intent to withdraw from the Paris Agreement as soon as it was eligible to do so. This was subsequently reversed by the newly elected United States President Biden. The adoption of laws and regulations to implement controls of GHGs, including the imposition of fees or taxes, could adversely affect our business, financial condition, or results of operations. Additionally, certain of the jurisdictions in which we operate are contemplating air pollution control regulations that are more stringent than existing and proposed regulations. Changing environmental regulations could require us to take any number of actions, including the purchase of emission allowances or installation of additional pollution control technology, and could make some operations less profitable.

The adoption of new or more stringent chemical and product registration and use regulations, as well as customer requirements, could adversely affect our business, financial condition, or results of operations.

Our operations and products are subject to stringent chemical and product registration and use regulations and limitations in the United States, the EU, the PRC and elsewhere, including, for example, Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH") in the EU and the Toxic Substances Control Act in the United States. Based on hazard characteristics, chemicals may be identified under REACH as Substances of Very High Concern ("SVHC") and listed on the Candidate List of SVHC for Authorization (the "SVHC Candidate List"). Chemicals ultimately designated as SVHC require authorization by the EU Commission for time-limited continued use which likely will lead to a phase-out of that substance in the EU. One of the chemicals we use in the production of spandex, dimethylacetamide ("DMAc"), has been added to the SVHC Candidate List and was recommended for inclusion as SVHC in Annex XIV of REACH ("the Authorization List"); however, the EU (and the United Kingdom pursuant to its current implementation of REACH into domestic legislation) has decided to impose a restriction on DMAc, implementing more stringent worker protections rather than adding DMAc to the Authorization List. Depending on the ultimately agreed limits, our sites in Kerkrade (NL) and Maydown (UK) may need to upgrade workplace ventilation and capturing of DMAc vapors. The process for securing required regulatory approvals under these laws can be costly and time-consuming. The imposition of new laws or regulations or stricter standards governing the chemicals we use in our operations could cause us to incur higher operating and raw material costs, higher compliance costs, and higher capital costs and may affect our ability to produce our products.

Increased requirements for composition disclosure, including the upcoming "Substance of concern in products" ("SCIP") database in the EU and/or United Kingdom, will require us to provide information to the public about the presence of DMAc in excess of 0.1% in our products. This mandatory disclosure came into effect as of January 5, 2021. The database is meant to provide information to recyclers and waste handlers but also to the consumers to allow the making of informed choices.

Our downstream retailers may also impose additional requirements on us as a result of new regulations or an increased focus on sustainability and "green chemistry" that could negatively affect us. For example, some downstream retailers are requiring that suppliers no longer use, or reduce the use of, chemicals on restricted substance lists. Other brands and retailers set expectations and/or standards requiring all fibers and raw materials to have a "sustainable" component, such as being recyclable, using bio-based/non-petroleum-based materials, or having a low impact on GHGs. This trend toward greater sustainability and "green chemistry" could cause us to incur additional direct costs or to discontinue certain product lines and to reformulate others, make changes to our operations and inputs in order to comply with any new regulations and customer requirements, or result in increased indirect costs or loss of revenue resulting from, among other things, our suppliers incurring additional compliance costs that affect our costs and revenues. We could also lose revenue if our customers divert business from us because we have not complied with their sustainability requirements or if they opt to use fibers that are easier to recycle than spandex. These costs, changes and loss of revenue could have a material adverse effect on our business, financial condition, or results of operations.

Our operations are dependent on numerous required permits and approvals.

We hold numerous environmental and other governmental permits and approvals authorizing operations at each of our facilities. In addition, any expansion of our operations is dependent upon securing the necessary environmental or other permits or approvals. A decision by a government agency to deny or delay issuing a new or renewed material permit or approval, or to revoke or substantially modify an existing material permit or approval, could have an adverse effect on our ability to continue operations at the affected facility and on our business, financial condition, or results of operations.

Changes in tax laws or resolutions of tax disputes could have adverse effects on our tax liabilities and positions.

We are subject to taxes in the Netherlands and numerous foreign jurisdictions, the tax regulations of which are extensive and subject to change. We cannot predict the effects or outcomes of any specific tax legislation to which we may become subject. Significant judgment is required in determining our worldwide provision for income taxes. Changes in tax laws, tax treaties, or tax regulations or the interpretation or enforcement thereof by any tax authority to which we are subject, whether based on current proposals or otherwise, could materially and adversely affect our business, financial condition, or results of operations. We are also subject to the examination of our tax returns and other tax matters by tax authorities. There can be no assurance as to the outcome of these examinations. If a taxing authority disagrees with the positions we have taken, we could face additional tax liability, including interest and penalties, which could adversely affect our financial results.

We are subject to risks associated with seasonality and building working capital for planned downtimes, which could adversely affect our business, financial condition, or results of operations.

Our businesses are subject to seasonal fluctuations in demand, resulting in variations in pricing and utilization of production capacity. In addition, we build inventories in advance of planned downtime in order to satisfy customer demand during such downtime. Our working capital needs and corresponding borrowings may peak during periods when we are generating lower revenues due to these seasonal fluctuations or in preparation for planned downtime. During those same periods, we may incur expenditures in preparation for upcoming increases in demand. If our cash on hand, coupled with our availability under our Revolving Credit Facility, is insufficient to cover expenditures resulting from seasonality or preparations for planned downtime, there could be a material adverse effect on our results of our business, financial condition, or results of operations.

Confidential
info@inx-capital.com
2023-05-31 17:54:53 +0100

Our individual businesses rely on significant customers, and the loss of any of those customers in a profitable product line could have a material adverse effect on our business, financial condition, or results of operations.

No single customer or distributor represented more than 10% of total sales for the year ended December 31, 2021. However, we have a number of customers that account for a significant portion of our total sales for individual lines of business. From time to time, our customers may make decisions that could reduce our sales of particular products, decrease the number of customers for those products or increase the ownership concentration in the markets for those products. A significant customer could also fail to satisfy its obligations under its sales arrangements or purchase orders. Any of the foregoing, including the loss of a key customer in any of our key product lines, could have a material adverse effect on our business, financial condition, or results of operations.

If we experience significant unplanned downtime at our manufacturing facilities in the future, we may experience a material adverse effect on our business, financial condition, or results of operations.

Manufacturing facilities in our industry are subject to planned and unplanned production shutdowns, turnarounds, outages, and other disruptions. Unanticipated downtime can occur for a variety of reasons, including equipment breakdowns, interruptions in the supply of raw materials (most recently associated with the pandemic and disruptions of global supply chains and ocean container traffic), power failures, sabotage, natural disasters such as hurricanes, typhoons, and floods, or other hazards associated with our production processes. For example, we experienced unplanned downtime at our (now closed) La Porte facility as a result of Hurricane Harvey that struck the U.S. Gulf Coast in 2017. In addition, in August 2021 we experienced certain manufacturing and shipment disruption following a cyberattack on our network. See "—*We depend upon our information technology systems, which are subject to interruption and failure.*"

If we were to experience significant unplanned downtime at any of our key facilities in the future, such an event may be either uninsurable or not economically insurable, and we may not have adequate quantities of product available to sell, which could have a material adverse effect on our business, financial condition, or results of operations. Alternative facilities with sufficient capacity to replace facilities with unplanned downtime may not be available, production at such alternative facilities may cost substantially more, or it may take a significant time to increase production or qualify with our customers, any of which could negatively impact our business, financial condition, or results of operations. Additionally, long-term production disruptions may cause our customers to seek alternative supply, which could further adversely affect our profitability.

We sell our products on credit and some of our customers, in the aggregate, represent a credit risk to us.

Most of our customers purchase our products on credit, which we generally extend to our customers for an average of 30 to 60 days, depending on the product being purchased, the location of the sale and the credit quality of the customer. Some of our customers operate with limited liquidity and scale in highly competitive industries that may make them more susceptible to financial difficulties. In the past, we have had customers file for bankruptcy protection and have pursued legal remedies to recover amounts due to us or to defend payments received prior to the customer's bankruptcy. In addition, our international customers also present potential collection risk in foreign jurisdictions where collection actions may be more difficult, or where there may be legal constraints to recover amounts due. As a result, if a customer becomes unwilling or unable to make payments, we may not be able to collect all or any of the amounts owed to us, which could have a material adverse effect on our business, financial condition, or results of operations.

Confidential
info@linx-capital.com
2023-05-31 17:54:53 +0100

Additionally, it is possible that unfavorable economic conditions or other factors could exacerbate the risks of non-payment by our customers and cause a number of our customers to default during a particular period of time, which could have a material adverse effect on our business, financial condition, or results of operations.

We operate in industries which are subject to technological change. Our failure to timely or adequately respond to those changes, including product substitution, may render existing technology less competitive or obsolete and our operating results may suffer.

The market for our products is characterized by changing technology and continuing process development. The success of our business will depend in part upon our ability to maintain and enhance our technological capabilities, develop and market future products that meet changing customer needs, and successfully anticipate or respond to technological changes on a cost-effective and timely basis. We can provide no assurance that we will effectively respond to the technological requirements of the changing markets we serve, and we may not have sufficient cash flows to make additional capital expenditures that may be required as a result of those changes. Failure to respond to technological changes on a cost-effective and timely basis could have a material adverse effect on our business, financial condition, or results of operations.

The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets, and our business.

We are a multinational company with worldwide operations, including significant business operations in Europe. Following a national referendum and enactment of legislation by the government of the United Kingdom, the U.K. formally withdrew from the European Union on January 31, 2020. Pursuant to U.K. legislation, namely The European Union (Withdrawal) Act 2018 (as amended), certain EU laws were transposed into U.K. law. On December 24, 2020, the U.K. and EU agreed to a trade deal (the "Trade and Cooperation Agreement") which was ratified by the U.K. on December 30, 2020. While the Trade and Cooperation Agreement avoided a "no deal" exit from the EU, there are still a number of areas of uncertainty in connection with the future of the U.K. and its relationship with the EU and the application and interpretation of the Trade and Cooperation Agreement, and matters related thereto (and other matters related to the U.K. withdrawal) may take several years to be clarified and resolved. In particular, the Trade and Cooperation Agreement only covers the trade of goods and, therefore, uncertainly remains over the U.K.'s long-term trading of services relationship with the EU. The U.K. may still face barriers to trade and commerce (including the provision of financial and other services) with the Member States of the EU. The U.K. has no right to access trade deals negotiated by the EU, but has, for the most part, negotiated its own trade agreements to replicate the benefits of the EU trade deals to which it was previously party. To the degree by which those trade deals differ though, that difference may diminish overall economic activity between the U.K. and the EU and the U.K. and its global trade partners. Uncertainty around the future of the Northern Ireland Protocol, which was agreed in line with the original Trade and Cooperation deal and resulted in Northern Ireland being outside the EU Single Market but still benefiting from the EU free movement of goods rules and EU Customs Union rules, remain and could also impact and have an adverse effect on activities carried out in Northern Ireland. Given this uncertainty and the range of possible outcomes, it is currently impossible to determine the impact that the U.K.'s exit from the EU, the Trade and Cooperation Agreement, and the nature and extent of U.K. government responses in the formulation of fiscal and monetary policies, and/or any related matters may have on general economic conditions in the U.K. and elsewhere.

Developments related to the above, or the perception that any of them could occur, have had, and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates, and credit ratings may be especially subject to increased market volatility. Lack of clarity around the application or rules and regulations,

either those covered by The European Union (Withdrawal) Act 2018 (as amended), the Trade and Cooperation Agreement or otherwise, including financial laws and regulations, tax and free trade agreements, intellectual property rights, supply chain logistics, environmental, health and safety laws and regulations, immigration laws, and employment laws, could decrease foreign direct investment in the U.K., increase costs, depress economic activity, and restrict access to capital. If the U.K. and the EU are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access between the U.K. and other EU member states or among the European Economic Area overall could be diminished or eliminated. Any of these factors could have a material adverse effect on our business, financial condition, and results of operations.

Our international operations subject us to currency exchange and import-export risks, which may adversely affect our sales, and results of operations.

For all of our operations, except in the PRC, the functional currency is the U.S. dollar. However, we conduct business in euros, British pounds sterling, Brazilian reais, Chinese yuan ("CNY"), Mexican pesos, and other foreign currencies. Currency devaluation relative to the U.S. dollar may make our products priced in U.S. dollars more expensive relative to products priced in the local currency, and foreign customers may reduce purchases of our products as a result.

The global supply for our raw materials generally is priced in, or relative to, U.S. dollars, and therefore, we generally do not have significant exposure to currency exchange risk for those expenses. However, many of the costs associated with our operations located outside the United States are denominated in local currencies, and the increased strength of local currencies against the U.S. dollar in countries where we maintain foreign operations has resulted, and in the future could result, in higher effective operating costs for labor and other costs, which has and could in the future reduce our earnings and adversely affect our cash flows. Certain of our operating costs, predominantly payroll and rent, are frequently paid in local currencies in foreign jurisdictions. Changes in currency exchange rates also affect our working capital needs in local currencies to support our foreign operations, and therefore could adversely affect our liquidity required to support local operations.

Generally, we maintain some of our liquidity in foreign currencies, primarily due to local regulatory requirements in countries such as the PRC and Brazil, for example, or for immediate local currency needs. We do not currently hedge our foreign exchange risk with derivatives and foreign exchange forwards but look for opportunities to cause natural offsets. We can provide no assurance that fluctuations in foreign exchange rates will not have a negative effect on our business, financial condition, or results of operations.

The cross-border sale of certain of our products to customers can be subject to tariffs in key markets, such as the PRC. Furthermore, a number of our customers' products are subject to tariffs, which can decrease our customers' production levels, aid certain of our competitors that manufacture in jurisdictions where there are low or no tariffs for end uses, and generally negatively impact purchases of our products. For example, our businesses that supply fiber to the apparel market, including our nylon, spandex, and polyester fiber businesses, are especially sensitive to changes in tariffs. While tariffs are relatively transparent, they remain subject to uncertainty and unexpected changes. In addition, certain of our products and our customers' products are vulnerable to trade disruptions due to anti-dumping or countervailing duty trade actions filed by individual countries. Similarly, our cross-border sales can be subject to free trade agreements or preference programs under which we benefit from the agreements. We can provide no assurance that changes in tariffs, including any impacts of anti-dumping or countervailing duty actions, free trade agreements, or preference programs will not have a material impact on our business in the future.

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

We may be subject to product liability claims if people or property are harmed by the products we manufacture, sell, or handle.

We manufacture, sell, and handle products that may expose us to product liability claims relating to personal injury, death, or property damage, and could require product recalls or other actions. There is the risk that our quality control procedures may not detect all defects and the reputation of our brands could be damaged by the marketing of defective products, especially in case of serious defects such as products containing harmful substances causing physical harm or other health problems. Such serious defects or a prolonged impact on product quality could also lead to a significant decline in sales and expose us to liability for regulatory violations or damage claims. Significant product liability claims may also lead to increased scrutiny by international, national, or local regulatory agencies.

Because third parties also use our products to make and sell other products, in some cases including consumer products, we may also have exposure to product liability claims based on these third parties' uses, particularly where agreements with third parties do not indemnify us for product liability or they do not have sufficient protection from product liability claims. Additionally, claims against us could also arise as a result of the misuse of some of our chemical products, or as a result of their use in a manner different than the intended use.

Although we plan to maintain liability insurance for certain types of product liability claims under our primary casualty and excess liability insurance program, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. A successful product liability claim against us could have a material adverse effect on our business, financial condition, or results of operations.

Our insurance may not fully protect us from loss.

We purchase a portfolio of insurance policies that transfers risk above reasonable deductibles to various third-party underwriters. These policies include statutory, contractual, and discretionary liability coverages with most backed by a substantial excess liability umbrella. Property damage and business interruption insurance with retention levels reflecting management and shareholder risk tolerance is purchased for all manufacturing facilities and business support offices. We can provide no assurance that we will be able to obtain or maintain insurance coverage that we consider appropriate for our needs at a reasonable cost, or at all.

Distributions of cash from our co-investments may be restricted or shared control of co-investments may delay decisions, actions, or payment of dividends by the co-investments.

We conduct a portion of our operations through co-investments in joint ventures. Our ability to receive distributions from co-investments may be restricted by a number of factors, including the applicable laws of local jurisdictions, the co-investment agreement, and debt agreements with third parties. Additionally, in the event that any of our co-investors do not observe their obligations, it is possible that the affected co-investment would not be able to operate in accordance with our business plans or that we would be required to increase our level of commitment in order to give effect to such plans. As with any such co-investment arrangements, differences in views among the co-investors may result in delayed decisions or in failures to agree on major matters, potentially having a material adverse effect on the results of operations and financial condition of the co-investments and, in turn, our business, financial condition, or results of operations.

Confidential
info@linx-capital.com
2023-05-31 17:54:53 +01:00

Our businesses that are joint ventures or co-investments are managed under operating agreements where we do not have sole control of the decision-making process, and we cannot mandate decisions or ensure outcomes.

We typically oversee our joint ventures and/or co-investments under the terms of their operating agreements by participating in the following activities: (1) representation on the respective governing boards of directors, (2) regular oversight of financial and operational performance and controls and establishing audit and reporting requirements, (3) hiring of management personnel, and (4) other regular and routine involvement with our partners. Notwithstanding this regular participation and oversight, our joint ventures or co-investments are externally operated, and our partners also participate in the management of these businesses. They may have business or economic interests that divert their attention from the joint venture or co-investment, or they may prefer to operate the business, make decisions, or invest resources in a manner that is contrary to our preferences. Since material business decisions must be made jointly with our partners and operations are run externally, we cannot mandate decisions or ensure outcomes, which exposes us to potential liability. In the event that our joint venture partner's strategic objectives are not aligned with ours, this could have a material adverse effect on our business, financial condition, and results of operations.

We may not be able to obtain debt to fund our operations and contractual commitments on favorable terms, or in sufficient amounts.

We may seek to incur debt in the future or obtain funds from existing borrowing facilities. Our ability to obtain necessary funds is dependent on numerous factors, some of which are beyond our control. These factors include the availability of credit in the global capital markets, our financial performance or credit ratings, and the ability of counterparties to provide funds under existing borrowing facilities. The inability to obtain the funds we need could have a material adverse effect on our business, financial condition, or results of operations.

Our business could suffer if we are unsuccessful in negotiating new collective bargaining agreements.

As of December 31, 2021, approximately 49% of our global workforce was represented by labor unions, with 69% of those employees' union contracts expiring within one year. Any consultative procedures with our employees may limit our flexibility with respect to employment policy or economic reorganization and could limit our ability to respond to market changes efficiently. Additionally, we may not be able to negotiate acceptable new collective bargaining agreements, which could result in labor disputes. We may also become subject to material cost increases or additional work rules imposed by labor agreements, which could increase expenses in absolute terms or as a percentage of sales.

We can provide no assurance that we will be successful in negotiating new collective bargaining agreements, that such negotiations will not result in significant increases in the cost of labor or that a breakdown in such negotiations will not result in the disruption of operations. In addition, we can provide no assurance that the existing non-union facilities will not seek to affiliate with any number of unions, which could result in increased labor costs and potential operational disruptions. The possibility also exists that the current local unions may seek to affiliate with a different labor organization, which could also increase our costs.

Confidential
info@linxcapital.com
2023-05-31 17:54:33 +0100

Significant changes in pension fund investment performance, assumptions relating to pension obligations, changes in accounting rules, or changes in pension funding requirements could have a material adverse effect on the funded status of our pension plans, pension cost, and required contribution levels.

Pension fund assets are significantly impacted by market risk and investment selection. Pension obligations are significantly impacted by market interest rates, salary trends, and other actuarial assumptions. If significant changes in pension fund investment performance occur which reduce the fair value of pension assets, or if changes in assumptions occur that increase our pension obligation, the plan funded status, pension cost, and required contributions could be materially and adversely affected. In addition, the amount and timing of our pension funding obligations can be influenced by funding requirements in the countries in which we sponsor pension plans. If we are required to make significant additional contributions, or make changes to accounting rules to our pension plans, a material adverse effect on our business, financial condition, or results of operations could result.

We could be materially adversely affected by loss of key personnel.

We depend on the continued services of key personnel, including our senior management and regional management personnel. Our success also depends on our ability to recruit, retain, and motivate highly skilled sales and marketing, engineering, and research and development personnel. Competition for talent in our industry is significant, and, if any of our key managers were to join a competitor, we may lose customers, know-how, and other personnel. In addition, retirements or resignations of any key employees may have a similar impact on our business. If we fail to retain and recruit necessary personnel, our ability to effectively manage our business could suffer. Some of our facilities have experienced high rates of attrition, and hiring can be highly competitive in those labor markets. Although we believe that we could replace our key employees within a reasonable time should the need arise, a significant increase in personnel turnover or other difficulties in attracting, training and retaining personnel could materially adversely affect our business, financial condition, results of operations and cash flows.

We are exposed to the risk of rising labor costs.

As of December 31, 2021, we employed approximately 2,700 full-time (or equivalent) employees, and personnel costs generally represent a significant portion of our cost base. We may in the future be forced to raise our wages due to new labor laws or social security regulations, including pressure exerted by trade unions or general wage increases across the industry or in any particular region in which we operate. An increase in labor costs may affect our profitability and our ability to compete effectively with competitors and may have a material adverse effect on our business, financial condition, or results of operations.

Our operations and assets in the PRC are subject to significant political and economic uncertainties.

Changes in laws of the PRC and regulations, or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion, imports and sources of supply, devaluations of currency, or the nationalization or other expropriation of private enterprises could have a material adverse effect on our business, financial condition, or results of operations. Under its current leadership, the government of the PRC has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. We can provide no assurance, however, that the government of the PRC will continue to pursue these policies, or that it will not significantly alter these policies from time to time without notice. For

Confidential info@lmkcapital.com 2023-05-31 17:54:33 +0100

example, the Company previously owned a manufacturing facility in QingPu, Shanghai, which closed in 2017 due to redevelopment by the local government of the land on which the manufacturing facility was located.

Additionally, if we decide to declare dividends and repatriate funds from our operations in the PRC, we will be required to comply with the procedures and regulations of applicable law in the PRC, which may significantly limit our ability to extract cash from our operations in the PRC. Any changes to these procedures and regulations, or our failure or inability to comply with these procedures and regulations, could prevent us from making dividends and repatriating funds from our operations in the PRC, which could adversely affect our business, financial condition, or results of operations.

The control of currency conversion and repatriation of funds by the government in the PRC may affect our liquidity.

The government of the PRC imposes controls on the convertibility of the CNY into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Substantially all in-country domestic revenues of our subsidiary organized under the laws of the PRC are denominated in CNY. Export sales of our subsidiary organized under the laws of the PRC are denominated primarily in U.S. dollars. Under existing foreign exchange regulations in the PRC, payments of current account items, including profit distributions, interest payments, and trade-related payments, can be made in foreign currencies without prior approval from the PRC's State Administration of Foreign Exchange ("SAFE") by complying with certain procedural requirements. However, for any PRC company, dividends can be declared and paid only out of the retained earnings of that company under PRC law. Changes to these foreign exchange regulations and controls may restrict the ability of our subsidiary organized under the laws of the PRC to remit sufficient foreign currency to pay dividends or to make other payments to us, or otherwise satisfy its foreign currency-denominated obligations.

Under the existing exchange restrictions, cash generated from the operations of our subsidiary organized under the laws of the PRC may be used to pay dividends to its offshore parent company and pay its employees who are located outside the PRC in a currency other than the CNY after the examination of authorized banks. Without the examination by authorized banks, cash generated from the operations of our subsidiary organized under the laws of the PRC may not be used to pay off debt in a currency other than the CNY owed by it to entities outside the PRC or make other capital expenditures outside the PRC in a currency other than the CNY. Under certain circumstances, the authorized banks may also seek guidance from SAFE for repatriation of funds of our subsidiaries. The PRC government may also at its discretion, restrict access in the future to foreign currencies for current account transactions. In the current regime of stringent regulation of outflow of capital, CNY outflow may face the same level of scrutiny by the PRC government as the outflow of foreign currencies.

Additionally, because repatriation of funds of our subsidiary organized under the laws of the PRC requires the examination by authorized banks, such repatriation could be delayed, restricted or limited. We can provide no assurance that the rules and regulations pursuant to which the authorized banks examine any repatriation of funds will not change in a way that adversely affects the ability of our subsidiary organized under the laws of the PRC to repatriate funds out of the PRC. Future measures, including any additional requirements to repatriate profits earned in the PRC, may increase our regulatory compliance burden. Any limitation on the ability of our subsidiary organized under the laws of the PRC to repatriate funds from the PRC could affect our ability to make payments on the Notes.

Uncertainties presented by the legal system in the PRC could limit the legal protections available to us and subject us to legal risks, which could have a material adverse effect on our business, financial condition, or results of operations.

Our operations in the PRC are subject to applicable PRC laws, rules, and regulations. The legal system in the PRC is a system based on written statutes. Prior court decisions may be cited for reference but have little value as precedents, although the judicial interpretations issued by the Supreme Court of China have binding effect.

Additionally, PRC statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the government of the PRC has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation, and trade.

However, the PRC has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, because some of these laws and regulations are relatively new, and because of the limited volume of published court of arbitration decisions and their nonbinding nature (except for the judicial interpretations issued by the Supreme Court of China), the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the legal system in the PRC is based in part on government policies and internal rules, some of which may not be published on a timely basis or at all, and some of which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Any administrative and court proceedings in the PRC may be protracted, resulting in substantial costs and diversion of resources and management attention. Since administrative and court authorities in the PRC have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection in the PRC than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into in the PRC. As a result, these uncertainties could have a material adverse effect on our business, financial condition, or results of operations.

Material increases in labor costs in the PRC could have a material adverse effect on our business, financial condition, or results of operations.

We currently operate one manufacturing facility in the PRC along with an R&D lab and technology center. In past years, we have experienced increases in labor costs in our manufacturing facility at Foshan, China. We expect increases in the cost of labor in our facilities in the PRC will continue to occur in the future. To the extent we are unable to pass on increases in labor costs to our customers by increasing the prices for our products and services, minimum wage increases or increases in other labor costs could have a material adverse effect on our business, financial condition, or results of operations.

Our business in the PRC could be affected by changes in the economic, political, or social conditions or government policies in the PRC.

The economy in the PRC differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. While the economy in the PRC has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among various sectors of the economy. We can provide no assurance that the economy in the PRC will continue to grow, or that, if there is growth, this growth will be steady, or that, if there is a slowdown, this slowdown will not have a negative effect on our business in the

PRC. In addition, we can provide no assurance that the various macroeconomic measures and monetary policies adopted by the PRC government to guide economic growth and the allocation of resources will be effective in sustaining the growth rate of the PRC economy. If growth in the PRC stagnates or there is an economic downturn in the PRC, this could have a material adverse effect on our business, financial condition, or results of operations.

If our land use rights in the PRC are revoked, we would have limited operational capabilities in the PRC.

Under PRC law, land is owned by the state or rural collective economic organizations. The state issues to the land users the land use right certificate. Land use rights can be revoked, and the land users forced to vacate at any time when redevelopment of the land is in the public interest. For example, the Company previously owned a manufacturing facility in QingPu, Shanghai, which closed in 2017 due to the redevelopment by the local government of the land on which the facility was located. The public interest rationale is often interpreted quite broadly in the PRC and the process of land expropriation may not be transparent. We rely on these land use rights, and the loss of such rights could have a material adverse effect on our business, financial condition, or results of operations.

We are subject to customs, advertising, consumer protection, privacy, zoning and occupancy, and labor and employment laws that could require us to modify our current business practices, incur increased costs or harm our reputation if we do not comply.

We are subject to numerous laws and regulations, including those related to employment, customs, truth-in-advertising, consumer protection, general privacy, and the protection of personal data (including the European General Data Protection Regulation (the "GDPR"), which became effective in May 2018), data privacy, identity theft, online privacy, and unsolicited commercial communication. For example, the GDPR requires us to have unambiguous consent given by the data subject for resource lists and email marketing, and all agreements with third party data processers also need to be reviewed and updated as necessary. If these regulations were to change or were violated by our management, associates, suppliers, buying agents, or trading companies, the costs of certain goods could increase, we could experience delays in shipments of our products, be subject to fines or penalties, or suffer reputational harm, any of which could reduce demand for our products and hurt our business, financial condition, or results of operations.

In addition, the importance of and regulations related to data privacy, security, and consumer protection law-making are accelerating globally. In particular, in Europe, compliance with GDPR will require additional resources and changes to our processes and policies which will increase costs. The GDPR also increases the fines that can be imposed by the data protection authorities for non-compliance with these EU data protection laws. In the PRC, the China Cyber Security (CSL) regulations passed in 2016 dictate how companies should approach security and privacy, and compliance with these regulations is still subject to guidance from relevant Chinese authorities; accordingly, we cannot guarantee that our implementation activities will ensure complete compliance. Violations of these laws, or allegations or investigations of allegations of such violations, could disrupt our business, may lead to criminal and civil penalties and other remedial measures, and have a material adverse effect on our results of operations, financial condition, cash flows, and business prospects. Additionally, the interpretation and application of consumer protection and data privacy and security laws in the United States, Europe and elsewhere are often uncertain, contradictory, and in flux, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. It is possible that these laws may be interpreted or applied in a manner that is adverse to us or otherwise inconsistent with our practices, which could result in litigation, regulatory investigations, and potential legal liability or require us to change our practice in a manner adverse to our business. Failure to define clear roles and responsibilities or to

regularly communicate with and train our associates may result in noncompliance with applicable laws and regulations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business and have a material adverse effect on our business, financial condition, or results of operations.

The public perception and reputation of our brands could be damaged if we or our raw material suppliers fail to comply with applicable labor laws or recognized ethical standards or other applicable laws, or if the public develops an impression that violations of these laws or standards are occurring.

We take various steps to ensure that we and our suppliers of products comply with applicable labor and social welfare laws, as well as acceptable social standards. For example, we have a 'Compliance with Law' clause in our purchase agreements requiring suppliers to comply with applicable laws and regulations, we conduct supplier compliance audits, including facility walkthroughs, for environment, health and safety or social concerns, and we lay out our expectations to suppliers in our code of conduct. Nonetheless, from time to time, we or our suppliers may not be in compliance with local labor law or recognized ethical standards. If it emerges that we or our suppliers have not complied with applicable labor laws or recognized ethical standards, or, if the public perceives that such an event is occurring, whether or not it is, the public perception and reputation of us and our brands could suffer, possibly damaging customer relationships and causing a considerable decrease in sales. In addition, changing a supplier following discovery of a violation could result in additional costs and supply shortages or disruptions. Any of these events could have a material adverse effect on our business, financial condition, or results of operations.

The reputation of our brands is an important company asset and is key to our ability to remain a leader in the apparel and textile market.

The reputation of our brands is an important company asset and is key to our ability to remain a leader in the apparel and textile market and to attract and retain customers. Negative publicity regarding our company or actual, alleged, or perceived issues regarding one of our products or services, particularly given the high-cost-of-failure nature of our products and services, could harm our relationship with customers. Failure to protect the reputation of our brand may adversely impact our credibility. In addition, in certain jurisdictions we may engage sales agents in connection with the sale of certain of our products and services. It is difficult to monitor whether such agents' representation of our products and services is accurate. Poor representation of our products and services by agents, or entities acting without our permission, could have an adverse effect on our reputation and our business.

Failure to maintain the reputation of our brands could negatively impact our competitive position.

Our financial performance is closely linked to the success and reputation of our brands, particularly the LYCRA® brand, which in turn depends on factors such as design and quality of the merchandise, the image of our points of sale, our relationship with the public, and our marketing policy. Products or communications policies that do not adequately reflect the brands' image, inappropriate conduct by our direct customers, staff, suppliers, or distributors, or entities acting without our permission, or any circulation of damaging information to the media could affect our brand recognition and image and have a material adverse effect on our business, financial condition, or results of operation. If we are unable to effectively manage the transition from marketing and selling certain of our products and services in association with the LYCRA® brand, our business, financial condition, and results of operations may be materially adversely affected.

Confidential
info@linx-capital.com
2023-05-31 17:54:53 -0700

Our operations rely on certain external vendors.

We rely on certain external vendors to provide products and services necessary to maintain our day-to-day operations at certain of our locations. These third-party vendors are sources of operational and informational security risk to us, including risks associated with operational errors, information system interruptions or breaches and unauthorized disclosures of sensitive or confidential information. If these vendors encounter any of these issues, or if we have difficulty communicating with them, we could be exposed to disruption of operations, loss of service or connectivity to customers, reputational damage, and litigation risk that could have a material adverse effect on our business, financial condition, or results of operations.

Our operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. We have selected those external vendors retained directly by us carefully. In some cases, some vendors have been selected by DuPont to provide support services to our Waynesboro, Virginia property where DuPont retains ownership because of ongoing environmental remediation projects being conducted by DuPont in connection with the 2003 Purchase Agreement. We own and operate the manufacturing facilities at the property and we lease the property from DuPont pursuant to a ground lease. Whether we or DuPont have contracted with the vendors, we do not control the actions of these vendors.

The failure of an external vendor to perform in accordance with the contractual arrangements under service level agreements because of changes in the vendor's organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could be disruptive to our operations, which could have a material adverse effect on our business, our financial condition, or results of operations. Replacing these external vendors could also entail significant delay and expense. We also could be adversely affected to the extent such an agreement is not renewed by the third-party vendor or DuPont or is renewed on terms less favorable to us.

Risks related to our separation from INVISTA

We may not be able to enforce claims with respect to the representations and warranties that INVISTA has provided to us under the Acquisition Agreement and the Taiwan Acquisition Agreement and we may be subject to claims by INVISTA under such agreements.

In connection with the Acquisition and the Taiwan Acquisition, INVISTA gave certain customary representations and warranties related to their shares, the Company, and the business of the Company under the Acquisition Agreement and the Taiwan Acquisition Agreement. We can provide no assurance that we will be able to enforce any claims against INVISTA relating to breaches of such representations and warranties. INVISTA's liability with respect to breaches of its representations and warranties under the Acquisition Agreement and the Taiwan Acquisition Agreement are limited. Moreover, even if we ultimately succeed in recovering any amounts from INVISTA, we may temporarily be required to bear these losses ourselves. Similarly, INVISTA may assert claims against us pursuant to the terms of the Acquisition Agreement and the Taiwan Acquisition Agreement if they believe us to be in breach of our ongoing obligations thereunder. Any such claim, whether or not valid, could have an adverse impact on our business, financial condition, or results of operations.

Confidential info@inx-capital.com 2023-05-31 17:54:33 +0100

Risks related to the Notes and the Guarantees and the Issuers financing structure

We are subject to significant restrictive debt covenants, which can limit our operating flexibility.

The Indenture contains covenants significantly restricting the ability of the Issuers and their restricted subsidiaries, among other things, to:

- incur or guarantee additional indebtedness;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- make certain investments;
- sell, lease, or transfer certain assets, including capital stock of restricted subsidiaries;
- enter into certain transactions with affiliates;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans, or advances to and on the transfer of assets to the Issuers or any restricted subsidiary;
- consolidate or merge with other entities, or sell all or substantially all of the assets of the Issuers and its restricted subsidiaries; and
- impair the security interests in the Collateral securing the Notes.

All of these limitations are subject to a number of important qualifications and exceptions including usual exemptions incurred in the normal course of business and certain of these limitations will be suspended with respect to the Notes if and when, and for so long as, the Notes are rated investment grade. These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest.

Our Revolving Credit Facility requires us to comply with a consolidated net leverage ratio (defined as the aggregate outstanding indebtedness of the Issuers and its Restricted Subsidiaries (excluding certain hedging obligations) at such date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters ending prior to the date of determination of such ratio, each such term as defined in the Revolving Credit Facility Agreement). If the aggregate amount of all outstanding utilizations (including of any ancillary facilities) is less than 25% of the total commitments under the Revolving Credit Facility Agreement at that time on the last day of the calendar quarter, we are not required to satisfy this financial covenant and no default or event of default will have occurred. Our ability to meet this test can be affected by events beyond our control, and we cannot assure you that we will meet it. During 2020, we received a waiver from the lenders under the Revolving Credit Facility Agreement to provide that the financial covenant referred to above would not apply for the quarter ended June 30, 2020. A breach of any of those covenants, ratios, tests, or restrictions could result in a restriction on the ability to make new drawings under the Revolving Credit Facility or an event of default under our Revolving Credit Facility. Upon the occurrence of any event of default under our Revolving Credit Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facility and elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable. In addition, any

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

default under the Revolving Credit Facility could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under our Revolving Credit Facility, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable, and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could enforce against any Collateral granted to them to secure repayment of those amounts.

The Issuers are holding companies with no material assets or sources of revenue of their own and will depend on cash from their operating subsidiaries to make payments on the Notes.

The Issuers are holding companies with no independent business or revenue-generating operations of their own and the Issuers' only material assets are the equity interest they hold in their respective subsidiaries. The capacity of the Issuers to make payments under the Notes depends on the ability of their respective subsidiaries to distribute cash to the Issuers. If the Issuers' subsidiaries do not distribute cash which can be used to make scheduled payments on the Notes, the Issuers will not have any other source of funds that would allow them to make payments to the holders of the Notes. The amount of dividends and distributions available to the Issuers will depend on the profitability and cash flows of their subsidiaries. The ability of these subsidiaries to make distributions, loans, or advances to their respective parent companies may be limited by the laws of the relevant jurisdictions in which such subsidiaries are organized or located. In addition, the subsidiaries of the Issuers that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit the Issuers' ability to obtain cash from their subsidiaries. Applicable tax laws may also subject such payments to further taxation. While the Indenture and the Revolving Credit Facility Agreement limit the ability of subsidiaries to incur contractual restrictions on their ability to pay dividends or make other intercompany payments to the Issuers, these limitations are subject to certain significant qualifications and exceptions and do not cover contractual restrictions existing on the Acquisition Closing Date. We can provide no assurance that arrangements with our subsidiaries, the funding permitted by the agreements governing existing and future indebtedness of our subsidiaries, and our results of operations and cash flow generally will provide us with sufficient dividends, distributions, or loans to fund payments on the Notes. In the event that the Dutch Co-Issuer does not receive distributions or other payments from its subsidiaries, we may be unable to make required payments, including with respect to principal, interest, and additional amounts, if any, on the Notes.

The Notes and each Guarantee are structurally subordinated to the liabilities of Non-Guarantor Subsidiaries.

Certain of our subsidiaries will not guarantee the Notes, including our subsidiary organized under the laws of the PRC.

Unless a subsidiary guarantees the Notes, such entity will not have any obligation to pay amounts due on the Notes or to make funds available for that purpose. Accordingly, holders of the Notes should only rely on the Guarantees of the Notes to provide credit support in respect of payments of principal or interest on the Notes.

Generally, holders of indebtedness of, and trade creditors of, Non-Guarantor Subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of these subsidiaries before these assets are made available for distribution to any direct or indirect shareholder of any such

Confidential
info@kcapital.com
2023-05-31 17:54:52 -0700

subsidiary, including the Issuers and the Guarantors. Accordingly, in the event that any of the Non-Guarantor Subsidiaries becomes insolvent, liquidates, or otherwise reorganizes:

- the creditors of the Guarantors or the Issuers (including the holders of the Notes) will have no right to proceed against such Non-Guarantor Subsidiary's assets; and
- creditors of such Non-Guarantor Subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such entity before any direct or indirect shareholder, including the Issuers and the Guarantors, will be entitled to receive any distributions from such subsidiary.

As such, the Notes and each Guarantee are structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our Non-Guarantor Subsidiaries.

The Notes are secured only to the extent of the value of the assets that have been granted as Collateral, and in the event that the security interests in the Collateral are enforced, the holders of the Notes will only be paid once the lenders under the Revolving Credit Facility and any other holders of additional super-priority secured debt are repaid in full.

The Notes are secured only by the Collateral. If we default on the Notes, the holders of the Notes will be secured only to the extent of the value of the assets underlying their security interest. Not all of our assets secure the Notes, and we, the Security Agent, and the Trustee are not obligated to take action to perfect all liens on assets that do secure the Notes. See "—*It may be difficult to realize the value of the Collateral.*" Assets of certain subsidiaries of the Issuers secure the Revolving Credit Facility, but do not secure the Notes due to limitations under local law. In the future, the obligations to provide additional guarantees and grant additional security over assets, or a particular type or class of assets, is subject to certain security principles. The Agreed Security Principles set out a number of limitations on the rights of the holders of Notes to require granting of, or payment or enforcement under, a guarantee or security in certain circumstances. The operation of the Agreed Security Principles may result in, among other things, the amount recoverable under any guarantee or security provided by any subsidiary being limited or security not being granted over a particular type or class of assets. Accordingly, the Agreed Security Principles may affect the value of the Guarantees and security provided by Parent and the Subsidiary Guarantors. The validity and enforceability of the Guarantees and security may also be affected by local law limitations. See "*—Corporate benefit, financial assistance, capital maintenance and liquidity protection laws, and other limitations on the Guarantees and security may adversely affect the validity and enforceability of the Guarantees and security granted by the Guarantors*."

Furthermore, the Intercreditor Agreement requires proceeds from the enforcement of the security interests in the Collateral and certain distressed disposals to be applied to repay the claims of the lenders under the Revolving Credit Facility, counterparties to certain hedging obligations, and other holders of additional super-priority indebtedness in priority to the Notes. Under the terms of the Indenture, the amount of additional indebtedness that can be secured in priority to the Notes could be substantial. As a result, holders of Notes will receive less from the proceeds of security in an enforcement or insolvency scenario than if they were not required to share proceeds.

The grant of Collateral to secure the Notes might be challenged or voidable in a bankruptcy or insolvency proceeding.

The grant of Collateral in favor of the Security Agent including any security interest may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator, or by other creditors, or may be

otherwise set aside by a court in a bankruptcy or insolvency proceeding, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified period following the grant.

For example, if certain Collateral is granted after the Issue Date and such Collateral secures indebtedness incurred by such grantor prior to such date and the grantor of such security interest were to become subject to a bankruptcy or winding up proceeding after such date, then any mortgage or security interest in Collateral delivered after the Issue Date would face a greater risk than security interests in place on the Issue Date of being avoided by the grantor or by its trustee, receiver, liquidator, administrator or similar authority, or otherwise set aside by a court, as a preference under insolvency law. To the extent that the grant of any security interest is voided or set aside, holders of the Notes would lose the benefit of the Collateral or the security interest.

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

The Notes are secured by security interests in the Collateral, which Collateral will also secure the obligations under the Revolving Credit Facility Agreement, certain hedging obligations, cash management obligations and certain other indebtedness. Upon a refinancing of the Revolving Credit Facility, or if the lenders under the Revolving Credit Facility Agreement consent to an increase of the commitments under the Revolving Credit Facility Agreement, or if we exercise our right to incur debt that is senior in right of payment to the Notes, the amount of outstanding indebtedness that will benefit from super-priority interests in the Collateral may be increased, subject to the limits imposed under the Indenture. The Collateral may also secure additional debt ranking *pari passu* with the Notes to the extent permitted by the terms of the Indenture, the Revolving Credit Facility Agreement, and the Intercreditor Agreement. The rights of the holders of the Notes to the Collateral may therefore be diluted by any increase in the super-priority debt secured by the Collateral, an increase in obligations secured on a *pari passu* basis with the Notes or a reduction of the Collateral securing the Notes.

The book value of the Collateral should not be relied on as a measure of realizable value for such assets. No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the Offering. The fair market value of the Collateral is subject to fluctuations based on factors that include, among others, our ability to implement our business strategy, whether or not the business is sold as a going concern, the ability to sell the Collateral in an orderly sale, general economic conditions, the availability of buyers, whether any approvals required to purchase the business would be available to a potential buyer, and similar factors. Hence, the amount to be received upon a sale of any Collateral would be dependent on numerous factors, including the actual fair market value of the Collateral at such time, general market and economic conditions, and the timing and the manner of the sale.

We also can provide no assurance that the Collateral will be saleable and, even if saleable, the timing of any liquidation or foreclosure is uncertain. To the extent that liens, rights, or easements granted to third parties encumber assets located on property owned by us, such third parties have or may exercise rights and remedies with respect to the property subject to such liens that could adversely affect the value of the Collateral and the ability of the Security Agent to realize or foreclose on the Collateral. By the nature of our business, some or all of the Collateral may be illiquid and may have no readily ascertainable market value. Also, certain of our contracts include a change of control clause, which may be triggered by enforcement of Collateral and limit the value of the Collateral.

Furthermore, the multi-jurisdictional nature of any foreclosure on the Collateral may limit the realizable value of such Collateral. For example, the bankruptcy, insolvency, administrative, and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest, and duration of the proceedings.

In the event that a bankruptcy case is commenced by or against us, if the value of the Collateral is less than the amount of principal and accrued and unpaid interest on the Notes and other senior secured obligations, interest may cease to accrue on the Notes from and after the date the bankruptcy petition is filed. In the event of a foreclosure, liquidation, bankruptcy, or similar proceeding, we can provide no assurance that the proceeds from any sale or liquidation of the Collateral will be sufficient to pay the obligations due under the Notes.

Corporate benefit, financial assistance, capital maintenance and liquidity protection laws and other limitations on the Guarantees and security may adversely affect the validity and enforceability of the Guarantees and security granted by the Guarantors.

The Guarantors' obligations and the security interests granted in respect of the Notes are subject to certain restrictions to comply with laws of the United States, Brazil, Hong Kong, Mexico, the Netherlands, Singapore, South Korea, Switzerland, and the U.K. Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. In addition, the Issuers and certain of the Guarantors will secure the payment of the Notes by granting security under the relevant security documents. However, each security interest granted under a security document is limited in scope to the value of the relevant assets subject to that security interest and the Indenture provides that each Guarantee is limited to the maximum amount that can be guaranteed by the relevant Guarantor, without rendering the relevant Guarantee/security interest voidable or otherwise ineffective under the applicable law or without resulting in a breach of any applicable law, and enforcement of each Guarantee and security document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, financial assistance, capital maintenance, liquidity protection, fraudulent conveyance or transfer, voidable preference, or similar laws, regulations, or defenses affecting the rights of creditors generally. See "—*It may be difficult for noteholders to enforce their rights across multiple jurisdictions or against several individuals or entities*."

The Indenture includes general limitation language to the effect that each guarantee granted therein and each security interest granted as well as any other obligation, liability or indemnification under a security document is limited to the maximum amount that can be guaranteed/secured by the relevant guarantor/security provider with respect to the aggregate obligations and exposure of the guarantor/security provider without rendering the relevant guarantee/security interest voidable or otherwise ineffective under the applicable law.

If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its guarantee or the security documents to which it is a party. It is possible that a Guarantor, or a creditor of a Guarantor, the grantor of security interests, or the creditor thereof, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor, or grantor of such security interests, may contest the validity and enforceability of the Guarantor's Guarantee and that the applicable court may determine that the Guarantee or the security interests should be limited or voided. To the extent that agreed limitations on the guarantee obligation apply, the relevant Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor and/or grantor, including trade payables of such Guarantor and/or grantor, as applicable. Future Guarantees and/or security interests may be subject to similar limitations.

Furthermore, the payment of dividends to the Issuers will reduce the distributable profits and reserves available to satisfy the obligations under the Guarantees and security documents. We can provide no assurance that we

will have distributable profits and reserves available to satisfy the obligations under the Guarantees and security documents, whether or not we pay dividends. In addition, the payment under the Guarantees and the enforcement of security interests under the relevant security documents may require certain prior corporate formalities to be completed, including obtaining an audit report, shareholders' resolutions, and board resolutions.

It may be difficult to realize the value of the Collateral.

To the extent that the claims against the Issuers exceed the value of the assets securing the Notes and other liabilities, those claims will rank equally with the claims of the holders of any of our other senior unsecured indebtedness and those claims may not be satisfied in full before the claims of our unsecured creditors are paid.

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

The ability of the Security Agent to enforce on the Collateral located in a particular jurisdiction or governed by the law of a particular jurisdiction is subject to mandatory provisions of the law of such jurisdiction. Enforcement of the Collateral may also be subject to certain statutory limitations and defenses or to limitations contained in the terms of the security documents designed to ensure compliance with applicable statutory requirements.

In addition, the security interest of the Security Agent is subject to practical problems generally associated with the realization of security interests. For example, the Security Agent may need to obtain the consent or approval of a third party or governmental authority to obtain or enforce a security interest in a contract or permit or transfer or sell certain assets. The Security Agent may not be able to obtain any such consent or approval. In addition, the consents and approval of third parties and governmental authorities may not be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets and the value of the security may significantly decrease.

Holders of the Notes' rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these security interests.

Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest or the holder of the security interest having difficulty enforcing such holder's rights in the Collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. In addition, applicable law requires that certain property and rights acquired after the

Confidential info@lmx-capital.com 2023-05-31 17:54:35 -0100

grant of a general security interest, such as real property and equipment, only be perfected at or promptly following the time such property and rights are acquired and identified. None of the Trustee or the Security Agent has any obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of, or to take steps to perfect, any security interest in the Notes against third parties.

The Issuers and the Guarantors will have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

The security documents relating to the Notes will, subject to the terms of the Revolving Credit Facility Agreement and the Indenture, allow the Issuers, the Guarantors, and the other Collateral providers to remain in possession of, retain exclusive control over, freely operate, collect, invest, and dispose of any income from the Collateral securing the Notes to the extent it relates to their assets. So long as no enforcement event has occurred or would result therefrom, the Issuers, the Guarantors, and the other Collateral providers may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning, or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness.

Holders of the Notes may not control certain decisions regarding the Collateral.

The Notes are secured by the same Collateral securing the obligations under the Revolving Credit Facility Agreement, except that, the Revolving Credit Facility is secured by certain assets that cannot secure the Notes due to local law limitations. In addition, under the terms of the Indenture, we are permitted to incur significant additional indebtedness and other obligations that may be secured by the Collateral.

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

The Intercreditor Agreement regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent will act in accordance with enforcement instructions received from the creditors holding more than 50% of the indebtedness under the Notes and indebtedness ranking pari passu with the Notes (the "Majority Senior Non-Priority Creditors"). However, the Security Agent will act in accordance with enforcement instructions received from the creditors holding more than 66 2/3% of the indebtedness and commitments under the Revolving Credit Facility, and any other credit facility permitted under the Intercreditor Agreement and certain super-priority hedging, cash management obligations and certain other indebtedness (the "Majority Super Senior Creditors") until the super-priority indebtedness is discharged if (1) the Majority Senior Non-Priority Creditors have not determined the method of enforcement they wish to pursue or appointed a financial adviser to assist them in making such a determination within three months or the super-priority indebtedness has not been discharged within six months; (2) an

insolvency event occurs with respect to a debtor party to the Intercreditor Agreement; or (3) the Majority Senior Non-Priority Creditors have not determined the method of enforcement they wish to pursue or appointed a financial adviser to assist them in making such a determination and the Majority Super Senior Creditors determine in good faith that a delay in issuing enforcement instructions could reasonably be expected to have a material adverse effect on the ability to effect a distressed disposal or on the expected realization proceeds of any enforcement and deliver enforcement instructions which they reasonably believe to be consistent with the enforcement principles set out in the Intercreditor Agreement before the Security Agent has received any enforcement instructions from the Majority Senior Non-Priority Creditors.

To the extent that we incur indebtedness that is secured by the Collateral on a pari passu basis with the Notes, the voting interest of holders of the Notes in the Majority Senior Non-Priority Creditors will be diluted commensurate with the amount of indebtedness we incur.

As these other creditors and counterparties may have interests that are different from the interests of holders of the Notes and may elect to pursue their remedies in respect of the Collateral at a time when it would be disadvantageous for the holders of the Notes to do so, these arrangements could result in the enforcement of the Collateral in a manner that results in lower recoveries by holders of the Notes. Furthermore, other creditors not subject to the Intercreditor Agreement could commence enforcement action against us or our subsidiaries during such period, we or one or more of our subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value.

In addition, if the Security Agent sells Collateral comprising the shares of any of our subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and the liens over any other assets securing the Notes and the Guarantees may be released.

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

The security interests in the Collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Guarantees have not been granted directly to the holders of the Notes but are instead granted only in favor of the Security Agent (subject to exceptions pursuant to certain local law requirements). The Indenture provides (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the security interests. As a consequence, holders of the Notes will not have direct security interests, and in any case, will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, which will (subject to the applicable provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral.

There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes who are not identified as registered holders in a security document will be validly secured. See *"—In certain jurisdictions, security over the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law."*

Confidential
info@lionx-capital.com
2023-05-31 17:54:33 -0100

In certain jurisdictions, security over the Collateral has been granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law.

In the Netherlands, Switzerland, South Korea, and other jurisdictions where parallel debt obligations ("Parallel Debt") are, or a separate appointment of the security trustee for local law purposes is customary or required, the security interests in the Collateral that will secure the obligations of the Issuers under the Notes and the obligations of the Guarantors under the guarantees will (subject to exceptions pursuant to certain local law requirements) not be granted directly to the holders of the Notes but have been granted only in favor of the Security Agent. The Indenture and the Intercreditor Agreement provide that only the Security Agent has the right to enforce such security documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will provide instructions (subject to the provisions of the Indenture and the Intercreditor Agreement) to the Security Agent.

The security over the Collateral in the Netherlands, Switzerland, South Korea, and other jurisdictions where parallel debt obligations are, or a separate appointment of the security trustee for local law purposes is customary or required, will also be granted in favor of the Security Agent as beneficiary of Parallel Debt created to satisfy a requirement that the Security Agent, as grantee of certain types of collateral, be a creditor of the relevant Guarantor. The Parallel Debt is in the same amount and payable at the same time as the obligations of the Issuers under the Indenture and the Notes (the "Principal Obligations"). Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. The Security Agent will have, pursuant to the Parallel Debt, a claim against the Issuers for the full principal amount of the Notes. The holders of the Notes will not be entitled to enforce such security except through the Security Agent. Holders of the Notes bear some risks associated with a possible insolvency or bankruptcy of the Security Agent. The Parallel Debt obligations referred to above are contained in the Intercreditor Agreement or in a debtor accession deed applicable to a given debtor, which is governed by English law. We can provide no assurance that such a structure will be effective before courts in the Netherlands, Switzerland, and South Korea since there is no judicial or other guidance as to its efficacy, and therefore the ability of the Security Agent to enforce the Collateral may be restricted as the Collateral may be invalid or unenforceable with respect to the claims of any person who is not a party to the relevant security document, including all holders of the Notes.

In order to permit the beneficial holders of the Notes to benefit from a secured claim, the Intercreditor Agreement provides for the creation of Parallel Debt obligations in favor of the Security Agent. Pursuant to the Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Indenture and the Intercreditor Agreement. To the extent that the security interests in the Collateral created under the Parallel Debt structure are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interest in the Collateral.

Further, under a parallel debt structure, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the parallel debt.

The Trustee has certain assigned duties and rights under the Indenture that become particularly important following defaults or events of default, and acts on behalf of holders as a prudent person would act in the conduct of its own affairs.

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

Under various circumstances, the Guarantees and the Collateral securing the Notes will be released automatically. In addition, if the Security Agent sells Collateral comprising the shares of the Issuers or certain of our subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, then claims under the Notes and the Guarantees may be released or transferred. The ability of holders of the Notes to recover on the Notes could be materially impaired in such circumstances.

Additionally, even though the holders of Notes will share in the Collateral with the creditors under the Revolving Credit Facility Agreement, the creditors under the Revolving Credit Facility Agreement will receive the proceeds of the enforcement of the Collateral in priority to the holders of the Notes and, under certain circumstances, the creditors under the Revolving Credit Facility Agreement and certain of our hedging arrangements will control enforcement actions with respect to the Collateral through the Security Agent, whether or not the holders of the Notes agree with those actions. See *"—Holders of the Notes may not control certain decisions regarding the Collateral."*

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

The Euro Notes are denominated and payable in euros. If investors measure their investment returns by reference to a currency other than the euro, an investment in the Euro Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the values of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political, and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Euro Notes below their stated coupon rates and could result in a loss to investors when the return on the Euro Notes is translated into the currency by reference to which the investors measure the return on their investments. Investments in the Euro Notes denominated in a currency other than U.S. dollars by U.S. investors may also have important tax consequences as a result of foreign exchange gains or losses, if any.

Bankruptcy or insolvency laws of jurisdictions outside the United States may not be as favorable to holders of the Notes as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due under the Notes.

The Dutch Co-Issuer is incorporated under the laws of the Netherlands, the Guarantors under the Notes are organized in the United States, Brazil, Hong Kong, Mexico, the Netherlands, Singapore, South Korea, Switzerland, and the U.K., and the Dutch Co-Issuer and the Guarantors are parties to certain key agreements affecting rights as of holders of the Notes and their ability to recover under the Notes, including the Indenture. The Notes may also be guaranteed in the future by other of our subsidiaries organized outside of the United States.

In the event that any one or more of the Issuers, the Guarantors, any future guarantors, if any, or any of our subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Any enforcement of the guarantees or security interest after a bankruptcy or insolvency event in such other jurisdictions will be subject to the insolvency laws of the relevant entity's jurisdiction of organization or other jurisdictions. The bankruptcy, insolvency, administrative and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including, among others, in the areas of rights of

Confidential
info@lmcapital.com
2023-05-31 17:54:33 +0100

creditors, the ability to void preferential transfers, priority of governmental and other creditors, ability to obtain post-petition interest, and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect a holder of the Notes' ability to enforce its rights in these jurisdictions, or limit any amounts that such holder of the Notes may receive.

Bankruptcy or insolvency laws and other limitations on the Guarantees and any security interests may adversely affect their validity and enforceability.

Our obligations under the Notes are guaranteed by, and secured by certain assets of, certain of the Guarantors or their shares. The Guarantors under the Notes are organized or incorporated under the laws of the United States, Brazil, Hong Kong, Mexico, the Netherlands, Singapore, South Korea, Switzerland, and the U.K. The bankruptcy, insolvency, administrative and other laws of the relevant Guarantors' jurisdictions of organization may be materially different from, or in conflict with, those of the United States, including, among others, in the areas of the rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest, and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect the ability of holders of the Notes to enforce their rights under the Guarantees and the relevant Collateral in those jurisdictions or limit any amounts that they may receive.

Although laws differ among these jurisdictions, in general, applicable fraudulent transfer and conveyance laws, equitable principles and insolvency laws, and limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of the Guarantees and any security granted by a Guarantor or collateral provider. Courts may also, in certain circumstances, avoid the security or the Guarantees where the collateral provider is close to or in the vicinity of insolvency. The following discussion of fraudulent transfer, conveyance, and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In insolvency proceedings, it is possible that creditors of the Guarantors, the collateral providers, or any appointed insolvency administrator may challenge the Guarantees and security, and intercompany obligations generally, as fraudulent transfers or conveyances, or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee or the security provided by us or such Guarantor;
- direct that the Issuers and/or the holders of the Notes return any amounts paid under a Guarantee or any security document to the relevant Guarantor or to the respective collateral provider or to a fund for the benefit of the Guarantor's creditors or the collateral provider; and
- take other action that is detrimental to holders of the Notes.

If we cannot satisfy our obligations under the Notes and any Guarantee or security is found to be a fraudulent transfer or conveyance or is otherwise set aside, we can provide no assurance that we can ever repay any amounts outstanding under the Notes. In addition, the liability of each Guarantor under its Guarantees of the Notes and the liability of each collateral provider is limited to the amount in respect of the Guarantee or security that does not constitute a fraudulent conveyance or improper corporate distribution or otherwise result in such Guarantee or security being set aside. The amount recoverable from a Guarantor or a collateral provider under the security documents will also be limited. However, we can provide no assurance as to what methodology a

Confidential info@lmxcapital.com 2023-05-31 17:54:33 -0700

court would apply in making a determination of the maximum liability of each Guarantor or each collateral provider and whether a court would give effect to such attempted limitation. Also, there is a possibility that the entire Guarantee or security may be set aside, in which case, the Guarantor's or collateral provider's entire liability may be extinguished.

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor or collateral provider generally may in different jurisdictions be considered insolvent at the time it issued a guarantee or created any security if:

- its liabilities, including contingent and prospective liabilities, exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due (and it is unable to get further credit); or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

We can provide no assurance which standard a court would apply in determining whether a Guarantor or a collateral provider was "insolvent" as of the date the Guarantees were issued or security was created or that, regardless of the method of valuation, a court would not determine that we or a Guarantor were insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or a collateral provider was insolvent on the date the respective Guarantee was issued or security was created, that payments to holders of the Notes constituted fraudulent transfers on other grounds. See *"—Limitations on validity and enforceability of the security interests and any guarantees"* for a general description of certain limitations of specific bankruptcy and insolvency laws in the jurisdictions of the Issuers and the Guarantors, which could limit holders of the Notes from recovering payments due under the Notes and the enforceability of any guarantees or security interests.

It may be difficult for noteholders to enforce their rights across multiple jurisdictions or against several individuals or entities.

The U.S. Co-Issuer and the Dutch Co-Issuer are organized or incorporated under the laws of the State of Delaware and the Netherlands, respectively. The Guarantors and the collateral providers are organized or incorporated under the laws of the United States, Brazil, Hong Kong, Mexico, the Netherlands, Singapore, South Korea, Switzerland, and the U.K., subject in all respects to the Agreed Security Principles. Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void any Guarantee or security interest provided by such Guarantor or collateral provider and, if payment has already been made under the relevant Guarantee or security interest, require that the recipient return the payment to the relevant Guarantor, if the court found that:

- the Guarantee was granted, or the security interest created with actual intent to hinder, delay, or defraud creditors or shareholders of the Guarantor or other person or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor or the collateral provider was insolvent when it granted the Guarantee or security interest;
- the Guarantee was entered into or, as the case may be, the security interest was created without a legal obligation to do so, is prejudicial to the interests of the other creditors and both the Guarantor or collateral provider and the beneficiary of the Guarantee were aware of or should have been aware of the fact that it was prejudicial to the other creditors;

Confidential
info@linxcapital.com
2023-05-31 17:54:33 +0100

- the Guarantor or, as the case may be, the collateral provider did not receive fair consideration or reasonably equivalent value for the Guarantee or the granting of the security and/or the Guarantor or collateral provider: (1) became insolvent before the granting of the security or was insolvent or rendered insolvent because of the issuance of the Guarantee or the creation of the security interest; (2) was undercapitalized or became undercapitalized because of the issuance of the Guarantee or the creation of the security interest; or (3) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the Guarantee or security interest was held to exceed the objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor;

- the Guarantee or security interest was entered into within a certain time period prior to the opening date of insolvency proceedings of the Guarantor; or

- the amount paid or payable was in excess of the maximum amount permitted under applicable law.

If a court or a creditor were to find that the granting of a Guarantee and/or the security interest was a fraudulent conveyance or can otherwise be challenged, the court, a creditor, or an insolvency administrator appointed over the assets of the Guarantor or the collateral provider could void or declare unenforceable the payment obligations under such Guarantee or security interest, or subordinate such Guarantee to any presently existing and future indebtedness of such Guarantor or require the holders of the Notes to repay any amounts received with respect to such Guarantee or security interest. In some of these events, holders of the Notes may cease to have any claim in respect of the Guarantor and would be a creditor solely of the Issuers and any remaining Guarantors.

In addition, the granting or enforcement of Guarantees and security is subject to restrictions in several jurisdictions in which Guarantors are organized or incorporated. In the event of bankruptcy, insolvency, or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Collateral will thus be subject to the laws of the applicable jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcies, insolvency, and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to enforce the security and to realize any recovery under the Notes and the Guarantees.

The issuance of the Notes could be wholly or partially voided in an insolvency proceeding.

If we become the subject of bankruptcy proceedings within a certain period following the completion of the Offering and the court determines that we were insolvent at the time of the Offering, a court could find that the issue of the Notes involved a preferential transfer by altering the status of participants from unsecured to secured creditors. As secured creditors, holders of the Notes could be entitled to receive a greater recovery in liquidation than the same holders would have been entitled to if those holders had not participated in the Offering. If the court determines that the granting of the security interest was therefore a preferential transfer that did not qualify for any defense under bankruptcy laws, then holders of the Notes would be unsecured creditors. In addition, under such circumstances, the value of any consideration holders received with respect to the Notes, including upon foreclosure of the security, could be subject to recovery from such holders and possibly from subsequent transferees.

Confidential
info@inx-capital.com
2023-05-31 17:54:53 +0100

The value of the Collateral securing the Notes may not be sufficient to secure post-petition interest in the United States.

In the event of a bankruptcy, liquidation, dissolution, reorganization, or similar proceeding against us in the United States, holders of the Notes will only be entitled to post-petition interest under the U.S. bankruptcy laws to the extent that the value of their security interest in the Collateral is greater than their pre-bankruptcy claim. Holders of the Notes that have a security interest in Collateral with a value equal or less than their pre-bankruptcy claim will not be entitled to post-petition interest under the United States bankruptcy laws. No appraisal of the fair market value of the Collateral has been prepared in connection with the Offering and therefore the value of the noteholders' interest in the Collateral may not equal or exceed the principal amount of the Notes.

Holders of the Notes may not be able to recover in civil proceedings for U.S. securities law violations.

The Dutch Co-Issuer and certain of the Guarantors are organized outside the United States and most of the assets of these non-U.S. companies are located outside of the United States. Although we and the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, holders of the Notes may be unable to effect service of process within the United States on our directors and executive officers or the directors and executive officers of the Guarantors. In addition, as most of the assets of these non-U.S. companies are located outside of the United States, holders of the Notes may be unable to enforce against them judgments obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. There is also uncertainty about the enforceability of civil judgments in the courts of certain jurisdictions, whether or not predicated upon the federal securities laws of the United States.

We may not be able to fulfill our repurchase obligations in the event of a change of control, and certain events will not constitute a change of control.

The Indenture contains provisions relating to certain events constituting a "change of control." Upon the occurrence of a change of control, we are required to offer to repurchase all outstanding Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, up to (but excluding) the date of repurchase. If a change of control were to occur, we can provide no assurance that we would have sufficient funds available at such time, or that we would have sufficient funds to pay the purchase price of the outstanding Notes or that the restrictions in our other existing contractual obligations would allow us to make such required repurchases. A change of control would, if so requested by a lender under the Revolving Credit Facility Agreement, result in the cancellation of such lender's commitments and require the repayment of amounts outstanding under such lender's commitments under the Revolving Credit Facility Agreement, and a change of control may result in an event of default under, or acceleration of, other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. We may be required to repay a proportionate amount of debt under our Revolving Credit Facility Agreement if we repay all or a portion of the principal under the Notes.

The ability of the Issuers to receive cash from their subsidiaries to allow them to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources. See "*—The Issuers are holding companies with no material assets or sources of revenue of their own and will depend on cash from their operating subsidiaries to make payments on the Notes.*" If an event constituting a change of control occurs at a time when our subsidiaries are prohibited from providing funds to the Issuers for

Confidential
info@jinx-capital.com
2023-05-31 17:54:53 +0100

the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuers will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control, but we can provide no assurance that we would be able to obtain such financing. Any failure by the Issuers to offer to purchase its Notes would constitute a default under the Indenture, and by extension the Revolving Credit Facility Agreement, as an event of default under the Indenture would constitute an event of default under the Revolving Credit Facility Agreement.

The change of control provision contained in the Indenture may not necessarily afford protection in the event of certain important corporate events, including a reorganization, restructuring, merger, or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture.

Except as described in the Indenture, we are not required to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization, or similar transaction.

The definition of "Change of Control" in the Indenture includes a disposition of all or substantially all of the assets of the Issuers and their restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuers and their restricted subsidiaries, taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether we are required to make an offer to repurchase the Notes.

In relation to Change of Control, The LYCRA Company has announced following events. On February 21, 2022, we received notice that an investor group who made loans to one of our shareholders, Ruyi Textile and Fashion International Group Limited ("Ruyi Textile"), appointed Mr. Edward Simon Middleton and Ms. Wing Sze Tiffany Wong of Alvarez & Marsal Asia Limited ("A&M") as joint and several receivers and managers over Ruyi Textile's assets and over the shares of Ruyi Textile owned by its majority shareholder. The enforcement action by these investors is over a Mezzanine Credit Facility made to Ruyi Textile, on which Ruyi Textile defaulted and under which no member of The LYCRA Company has any obligations. The LYCRA Company has been notified that in connection with the foregoing, waiver letters have been delivered to the Trustee by a majority in aggregate principal amount of the Notes, waiving any change in control repurchase obligations and certain potential cross-defaults related to the Indenture in respect of such events.

The ability of holders of the Notes to transfer or resell the Notes without registration under applicable securities laws is limited.

The Notes are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws of the United States and have not, will not be, and are not required to be, registered under the Securities Act or the securities laws of any other jurisdiction. Therefore, holders of the Notes may transfer or sell the Notes in the United States only in a transaction registered under or exempted from the registration requirements of the Securities Act and applicable state securities laws. These restrictions may limit the ability of holders of the Notes to resell the Notes and holders of the Notes may be required to bear the risk of their investment for an indefinite period of time. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes, within the United States and other countries, comply with applicable securities laws. We have not agreed to grant registration rights to the Notes under the Securities

Confidential
info@inx-capital.com
2023-05-31 17:54:33 +0100

Act or conduct an exchange offer for registered notes. In addition, we will not be subject to the reporting requirements of the Exchange Act.

An active trading market may not develop for the Notes or may have particularly limited liquidity.

We can provide no assurance as to:

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

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

Even if an active trading market for the Notes does develop, there is no guarantee that it will continue. The market, if any, for the Notes may experience similar disruptions, and any such disruptions may adversely affect the liquidity in that market or the prices at which holders of the Notes may sell their Notes. In addition, the Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance, and other factors.

In addition, the Indenture allows us to issue additional series of notes in the future, which could adversely impact the liquidity of the Notes.

We are not subject to the Sarbanes-Oxley Act of 2002 and, therefore, are not required to provide a management report of our internal controls.

We are not subject to the Sarbanes-Oxley Act of 2002, which requires public companies to have and maintain effective disclosure controls and procedures to ensure timely disclosure of material information, and have management review the effectiveness of those controls on a quarterly basis. The Securities Act also requires public companies to have and maintain effective internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements, and have management review the effectiveness of those controls on an annual basis (and have an independent auditor attest to the effectiveness of such internal controls). We are not required to comply with these requirements and therefore we might not have procedures comparable to public companies.

We are in the process of implementing an internal audit function. Although we have devoted management and will implement financial resources to develop and monitor our internal control over financial reporting, all internal controls systems, no matter how well-designed, have inherent limitations. In the course of our internal

Confidential
Info@inx-capital.com
2023-05-31 17:54:53 -0100

controls evaluation, we seek to identify data errors or control problems and to confirm that appropriate corrective actions, including process improvements, are being undertaken. The overall goals of these various evaluation activities are to monitor our internal controls over financial reporting and to make modifications as necessary. Our intent in this regard is that our internal controls over financial reporting will be maintained as dynamic systems that change (including with improvements and correction) as conditions warrant. Even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Because of changes in conditions, the effectiveness of internal controls may vary over time. We cannot be certain that our internal control systems will be adequate or effective in preventing fraud or human error in the future or that new deficiencies of a material nature will not evolve and which we may be unable to correct. Any failure in the effectiveness of our internal controls over financial reporting could have a material effect on our financial reporting or cause us to fail to meet reporting obligations, which could negatively impair our ability to execute our business strategy and have an adverse impact on the price of the Notes offered hereby.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our debt currently has a non-investment grade rating, and is currently rated by Moody's. Moody's raised its rating of the Notes in April 2021, but the rating could be lowered or raised again in the future or withdrawn entirely if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes in our business, warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. Credit ratings are not recommendations to purchase, hold, or sell the Notes. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure or marketing of the Notes. Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing.

Many of the covenants contained in the Indenture will not be applicable during any period when the Notes are rated investment grade by each of Moody's and S&P and no default or event of default has occurred and is continuing.

Many of the covenants contained in the Indenture will not apply during any period when the Notes are rated investment grade by each of Moody's and S&P and no default or event of default has occurred and is continuing under the Indenture. These covenants restrict, among other things, our ability to pay dividends, incur debt, and to enter into certain other transactions. We can provide no assurance that the Notes will ever be rated investment grade, or that if they are rated investment grade, the Notes will maintain such ratings. However, suspension of these covenants would allow us to engage in certain actions that would not have been permitted while these covenants were in force, which actions may conflict with the interests of the holders of the Notes. Furthermore, the effects of any such actions that we take while these covenants are not in force will be permitted to remain in place even if the Notes are subsequently downgraded below investment grade and the covenants are reinstated. Any subsequent lowering, suspension, or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Notes.

To the extent Parent or Jining Ruyi do not pay or otherwise satisfy certain fees and expenses incurred by Issuers in connection with the Transactions, such fees and expenses may ultimately be borne by Issuers.

Parent, as primary obligor, and Jining Ruyi as guarantor, have entered into a commitment letter with Issuers dated April 26, 2019 related to certain fees and expenses incurred by Issuers in connection with the

Transactions. Pursuant to the commitment letter, Parent has committed to Issuers to pay or otherwise satisfy such fees and expenses, and Jining Ruyi has guaranteed to the Issuers the due and punctual payment or satisfaction of Parent's obligations. In addition, on August 30, 2019, Parent and Jining Ruyi entered into an additional commitment letter related to certain fees and expenses incurred in connection with the Taiwan Acquisition. Pursuant to this commitment letter, Parent has committed to the Issuers to pay or otherwise satisfy such fees and expenses, and Jining Ruyi has guaranteed to the Issuers the due and punctual payment or satisfaction of Parent's obligations. We can provide no assurance that Parent or Jining Ruyi will honor their commitments under the commitment letter. To the extent either Parent or Jining Ruyi fails to honor its commitment under the commitment letter, the Issuers may be liable for such fees and expenses and as a result our business, financial condition, or results of operations may be materially adversely affected.

The recent appointment of receivers over the assets of, and shares held by the majority shareholder of, Ruyi Textile and Fashion International Group Limited which has disenfranchised the Parent and Jining Ruyi from The LYCRA Company could make payment and/or recovery under these commitment letters unlikely.

If we are unable to resolve our disagreement with our lenders, we may be in default under our Revolving Credit Facility.

Pursuant to the terms of our Revolving Credit Facility, we are required to undertake certain actions to perfect the security interests granted in respect of the collateral securing our obligations under the Revolving Credit Facility. We have completed such actions with respect to substantially all of the collateral required to be pledged to secure our obligations under the Revolving Credit Facility. However, due to certain regulatory requirements and delays, we have not finalized the security pledges covering collateral held by certain of our subsidiaries. During fiscal 2019 and continuing into 2021, the Facility Agent under the Revolving Credit Facility notified The LYCRA Company that it considers these open security issues to be defaults under the Revolving Credit Facility. We disagree with the Facility Agent and have continuously maintained that we have progressed all required security obligations in accordance with the standards of performance set forth in the Agreed Security Principles. Nonetheless, should this disagreement remain unresolved and should the Facility Agent succeed in establishing a default under the Revolving Credit Facility, such a default may entitle the lenders to terminate our access to the facility and declare our obligations thereunder immediately due and payable. Should this occur, it may also result in a default under the Indenture.

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

Our equity investors indirectly own the entire share capital of The LYCRA Company. As a result, our shareholders have and will continue to have, directly (including via the appointment of directors and managers) or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to influence the outcome of matters requiring action by our shareholders. Our shareholders' interests in certain circumstances may conflict with the interests of holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. For example, the shareholders could refuse to contribute additional capital or could vote to cause us to incur additional indebtedness. In addition, our principal direct or indirect shareholders have incurred indebtedness at entities that hold, directly or indirectly, all of our outstanding equity interests, including indebtedness incurred by Ruyi Textile and Fashion International Group Limited ("Ruyi Textile") pursuant to that certain Facility Agreement dated September 21, 2018 (as amended on January 30, 2019, and August 23, 2019), by and among Ruyi Textile, as borrower, Credit Suisse AG, Singapore Branch, as agent for the finance parties, and certain other parties thereto (the "Mezzanine Credit Facility"), which is secured by, among other things, a pledge of the equity interests of Eagle Ultimate Global Holding B.V. ("Ultimate Parent") and Parent, which directly or indirectly own the equity interests of The LYCRA Company. By letter dated November 18, 2019, the

holders of indebtedness under the Mezzanine Credit Facility notified Ultimate Parent that they have accelerated such indebtedness based on certain defaults, and have taken certain preliminary steps to enforce their rights under the equity pledge agreements. Any defaults under the Mezzanine Credit Facility or any other indebtedness of The LYCRA Company, or The LYCRA Company's direct or indirect shareholders and any enforcement taken in respect of any such defaults could adversely impact our business, financial condition, or results of operations, including by increasing the likelihood of a change of control under the Indenture or the Revolving Credit Facility Agreement or otherwise indirectly triggering a default under the Indenture or the Revolving Credit Facility Agreement.

In relation to the indebtedness under the Mezzanine Credit Facility, we received notice that an investor group who made loans to one of our shareholders, Ruyi Textile and Fashion International Group Limited ("Ruyi Textile"), appointed Mr. Edward Simon Middleton and Ms. Wing Sze Tiffany Wong of Alvarez & Marsal Asia Limited ("A&M") as joint and several receivers and managers over Ruyi Textile's assets and over the shares of Ruyi Textile owned by its majority shareholder. The enforcement action by these investors is over a Mezzanine Credit Facility made to Ruyi Textile, on which Ruyi Textile defaulted and under which no member of The LYCRA Company has any obligations. The Company has been notified that in connection with the foregoing, waiver letters have been delivered to the Trustee by a majority in aggregate principal amount of the Notes, waiving any change in control repurchase obligations and certain potential cross-defaults related to the Indenture in respect of such events.

Certain of our shareholders are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Our equity investors may also pursue acquisition opportunities that are complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, our shareholders have held, hold, or may hold interests in suppliers or customers of The LYCRA Company. Our equity investors and their affiliates could also have an interest in pursuing acquisitions, divestitures (including one or more divestitures of all or part of our business or sales of our shares which would result in changes to our shareholding structure), financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes.

The LYCRA Company

Business Overview

(Amounts in millions of U.S. dollars)

Overview

The LYCRA Company innovates and produces fiber and technology solutions for the apparel and personal care industries. Headquartered in Wilmington, Delaware, The LYCRA Company is recognized worldwide for its innovative products, technical expertise, sustainable solutions, and unmatched marketing support. The LYCRA Company owns leading consumer and trade brands: LYCRA®, LYCRA HyFit®, LYCRA® T400®, COOLMAX®, THERMOLITE®, ELASPAN®, SUPPLEX® and TACTEL®. The LYCRA Company's legacy stretches back to 1958 with the invention of the original spandex yarn, LYCRA® fiber. Today, The LYCRA Company focuses on adding value to its customers' products by developing unique innovations designed to meet the consumer's need for comfort and lasting performance.

The LYCRA® brand has achieved nearly 90% global awareness and is associated with comfort, fit, movement, and resilience. COOLMAX® and THERMOLITE® brands each rank at the top of its competitive set in the cooling and warming space. We maintain and actively defend a portfolio of approximately 800 patents which make up 120 unique patent families, in addition to a portfolio of approximately 2,300 trademarks that protect 105 unique brands, marks, and logos. Our products provide unique performance attributes that allow our customers to produce differentiated fabrics or garments often representing less than 1% of the ultimate garment production cost.

We sustain and advance our market position through our industry-leading research and development program, which enables our direct customers to provide new features and higher value to downstream customers. Our innovations often result in higher net margins for our direct customers and downstream customers. As a result of incorporating our product innovations, garments are better-fitting and more durable, delivering fit, shape, and comfort that lasts. Successful product innovations include LYCRA® XTRA LIFE™, the fiber industry's leading chlorine-resistant fiber for swimwear, LYCRA® FUSION™ Technology, delivering elastic performance that prevents runs and tears in pantyhose, and LYCRA® dualFX® Technology, delivering superior stretch and recovery in denim. New products continue to replace our prior product offerings with LYCRA® and LYCRA HyFit® fiber products introduced between 2011 and 2021 accounting for approximately 78% of our LYCRA® and LYCRA HyFit® fiber sales.

As of the end of 2020, The LYCRA Company exited its production of chemicals sold within the TERATHANE® product line. The decision followed a strategic review of the business. It was based on market oversupply and related pricing pressures, especially on its key output material, PTMEG, and the desire to align resources and capabilities with future growth opportunities within its core LYCRA® fiber brands.

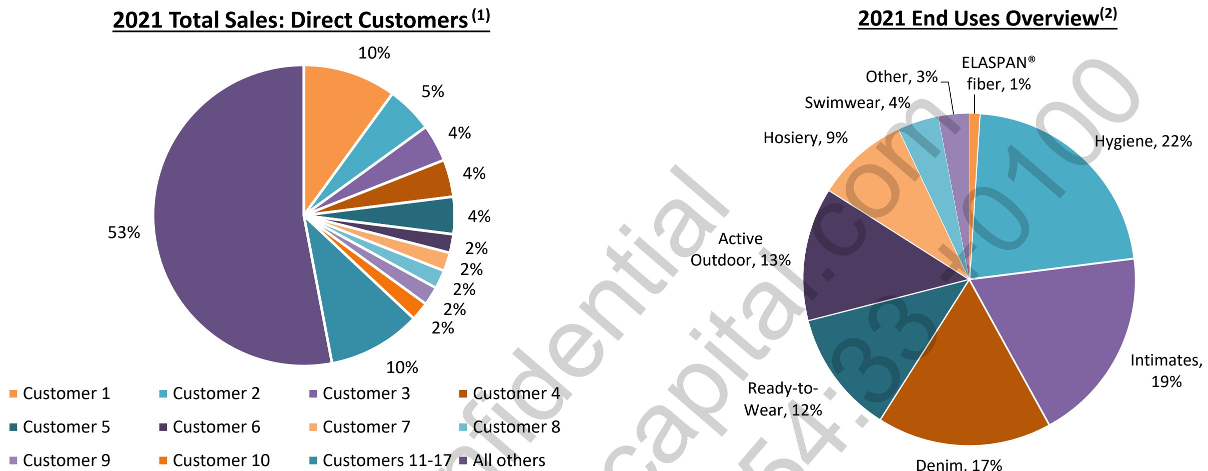
Our business

We are deeply connected to market trends through our long-standing relationships with fabric, garment, brand, and retail companies. This requires a high degree of customer engagement and service across the apparel supply chain, which we achieve through our push-pull demand model. We pull through demand by working closely with leading brand and retail companies to create differentiated consumer-oriented fibers and fabrics. We also work with textile mills to push through our product by delivering desired fiber and fabric attributes and connecting fabric mills to our network of downstream customers. We believe our partnerships are unique and highly valued by our customers. Historically, our customer base has had low turnover as our branded apparel partnership model drives high customer retention, and we continue to have long-standing relationships with our top customers.

Confidential

Our customers value our products and services because of our brand recognition, superior product quality and performance, track record of product innovation, and differentiated approaches to providing value creation as an integrated solutions provider across the apparel value chain.

We sell our products to a well-diversified, global customer base operating in a large number of product categories, as demonstrated by the charts below:



(1) LYCRA® and LYCRA® HyFit® fiber revenue breakdown for the year ended December 31, 2021.

(2) Revenue by end market breakdown for the year ended December 31, 2021 (including sales to JV-owned facilities). Other category includes socks, insulation, and medical textiles end markets.

Confidential
info@inx-capital.com
2023-05-31 17:54:33 -0100

For more than 60 years, we have developed proprietary production methods that provide us with a greater range and flexibility of polymer formulations than lower-tier producers. We are able to achieve high levels of fiber quality and tailor fiber properties to high-quality standards using our advanced level of instrumentation, monitoring and process control systems, and patented formulations. These unique production methods helped build our reputation for high-quality products and lead to product innovations that improve the value and performance of the end-products into which our technologies are incorporated. Our products allow our downstream customers to deliver innovative garments to end-customers and, in many cases, our customers co-brand their garments with our LYCRA® brand.

Environmental

We are subject to a broad range of federal, state, provincial, local, and foreign laws and regulations governing health and safety or the protection of the environment and natural resources, including, for example, the following U.S.-based laws:

- The Resource Conservation and Recovery Act ("RCRA") and comparable state laws that impose requirements for the generation, handling, transportation, treatment, storage, disposal, and clean-up of wastes from our manufacturing operations;

- The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and comparable state laws that govern the clean-up of hazardous substances that may have been released at properties currently or previously owned or operated by us or locations to which we have sent waste for disposal;

- The Clean Water Act ("CWA") and analogous state laws and regulations that can impose detailed permit requirements and strict controls on discharges of waste water from our facilities;

- The Clean Air Act ("CAA") and comparable state laws and regulations that impose obligations related to air emissions, including federal and state laws and regulations to address GHG emissions, and federal provisions requiring Risk Management Planning with respect to certain chemicals;

- The Toxic Substances Control Act ("TSCA") that regulates manufacture, import, processing, and distribution of chemicals substances;

- The Emergency Planning and Community Right-to-Know Act ("EPCRA") that requires reporting on releases of certain chemicals produced or processed at manufacturing facilities and requires reporting to local emergency response agencies about hazardous substances at the facility;

- The Occupational Safety and Health Act ("OSHA") that imposes worker protection and communication requirements with respect to hazardous chemicals, and that imposes process safety management requirements on our operations; and

- The Hazardous Materials Transportation Act ("HMTA") that imposes strict requirements with respect to transportation of many of our raw materials, products, and wastes.

Environmental pre-construction and operating permits are, or may be, required for certain of our operations, and such permits are subject to modification, renewal, and revocation. It is likely that we will be subject to increasingly stringent environmental standards in the future, particularly under air quality and water quality laws. It is also likely that we will be required to make additional expenditures, which could be significant, relating to environmental matters such as pollution controls on an ongoing basis. As our operations involve the handling, transportation, and distribution of materials that are, or could be, classified as toxic or hazardous, or otherwise as pollutants, there is some risk of contamination and environmental damage inherent in our operations. Consequently, we are subject to environmental laws that impose liability for historical or new releases of hazardous substances. The costs of remedying such conditions may be significant, and remediation obligations could adversely affect our business, financial condition, or results of operations. We are also subject to a variety of health and safety laws and regulations governing occupational health and safety.

Violations of and liabilities with respect to these laws and regulations could result in significant administrative, civil, or criminal penalties, remedial and clean-up costs, natural resource damages, permit modifications or revocations, operational interruptions, shutdowns, or other liabilities. Additionally, federal, state, provincial, local, and foreign agencies frequently revise environmental laws and regulations, and any changes that result in more stringent or costly permitting, operational, waste handling, disposal, and clean-up requirements for the industry could have a significant impact on our operating costs.

Regulatory matters

Our businesses are subject to a variety of regulations generally applicable to global manufacturing businesses. These regulations include: health, safety and environmental; transportation; antitrust and competition;

Confidential
info@jinxcapital.com
2023-05-31 17:54:33 -0100

anticorruption; anti-boycott; customs, export controls, and trade sanctions; employment and labor; physical security; government contracts; and intellectual property, among others. In particular, our sale of fibers to our customers is subject to tariffs in key markets. Further, a number of our customers' products, including cotton blends, low-end intimate apparel, and socks, are subject to tariffs and quotas which can decrease our customers' production levels, aid certain of our competitors, and negatively impact purchases of our products. Our businesses that supply fiber to the apparel market are especially sensitive to changes in tariffs and quotas.

Certain events announced in 2021

Board Changes in the Period

Certain management and board changes occurred through 2021 which are described in brief below.

On April 1, 2021, Yafu Qiu, Chairman of The LYCRA Company, and Julien Born, previously Chief Commercial Officer, were appointed Co-Chief Executive Officers of The LYCRA Company following the retirement of David Trerotola as Chief Executive Officer on March 31, 2021. Mr. Trerotola also resigned his director and officer positions within The LYCRA Company's legal entity structure. Mr. Qiu will continue as Chairman of The LYCRA Company and will focus on relationships with key stakeholders, board governance matters, strategic planning, and capital structure adjustments, including the strategy and timing of an IPO. Mr. Born will lead the overall operations of The LYCRA Company and implement its ambitious growth vision. The Co-CEO structure will bring greater operational focus and tap into each leaders' experience and skills in the areas most beneficial to The LYCRA Company to solidify its industry leading position and drive its long-term success.

On July 20, 2021, the Issuers announced certain changes at the Boards of The LYCRA Company Global Holdings B.V. and Eagle Intermediate Global Holding B.V., which each appointed InFull Services B.V., a limited liability company incorporated under the laws of the Netherlands, having its seat in Maastricht, the Netherlands and its registered address at Haafkensborg 95 (6228 CB) Maastricht, the Netherlands, registered with the Dutch Chamber of Commerce under number 83048189, as director B of the LYCRA Companies. InFull Services B.V. will be represented by Mr. Xiaobo Liu in respect of these arrangements.

The foregoing arrangements have been further adjusted as set out in "Subsequent Events" below.

Laika Joint Venture

On August 3, 2021, The LYCRA Company established a majority-owned joint venture, Laika, with a related party minority partner, Wanzhong, for the purpose of acquiring additional spandex manufacturing capacity from Jining Ruyi High-tech Fiber Material Co., Ltd in China. See Note 14 *Significant customers and related party transactions – Laika Joint Venture* within the Notes to the Consolidated Financial Statements.

Cybersecurity incident

On August 25, 2021, The LYCRA Company announced that it had experienced a cyberattack on its computer network which caused The LYCRA Company to limit its operating systems and led to certain manufacturing and shipment disruption. On September 24, 2021, The LYCRA Company announced that its system recovery efforts were completed and operations were fully functional. While some additional costs were incurred to resolve the network issues, the impact on manufacturing and shipments no longer remained. The LYCRA Company was able to catch up most of its delayed manufacturing and shipments during September, and the remainder was caught up by the end of 2021.

Confidential
info@inv-capital.com
2023-05-31 17:54:53 +0100

Subsequent Events

See Note 17, *Subsequent events* within the Notes to the Consolidated Financial Statements.

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

The LYCRA Company

Management's Discussion and Analysis of Financial Condition and Results of Operations

(Amounts in millions of U.S. dollars)

The statements in the following discussion and analysis of financial condition and results of operations regarding industry outlook, our expectations regarding the performance of our business, and other forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Forward-Looking Statements," "Use of Non-GAAP Financial Measures," and the section entitled "Risk Factors" in this annual report. Our actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion and analysis of our financial condition and results of operations together with the sections entitled "Certain References," and the historical audited consolidated financial statements included elsewhere in this annual report.

Significant factors that affect our results of operations

Various factors affect our operating results during each period, including:

COVID-19

The outbreak of COVID-19 acted as a massive restraint on the economies and financial markets in 2020 as supply chains were disrupted and consumption declined partially due to lockdowns imposed by governments globally.

Our sales and liquidity position were impacted adversely due to the significant slowdown in demand for spandex fibers in the apparel market during the first half of 2020. However, we saw steadily increased demand reaching pre-pandemic levels in some regions as demand increased, and by December 2020, we increased our utilization rate to near full capacity.

During 2021, our sales exceeded pre-pandemic levels and our spandex facilities have been operating at capacity. Even though global economies rebounded as COVID-19 vaccines became widely available and consumer demand recovered strongly, COVID-19 continued to disrupt supply chains and results of business operations worldwide.

The extent to which the COVID-19 pandemic will continue to impact our business, financial condition, and results of operations will depend on numerous evolving factors that are unpredictable, including the duration and scope of the pandemic; governmental, business, and individuals' actions that have been and continue to be taken in response to the pandemic; and the impact of the pandemic on global economic activity, unemployment levels, and financial markets, including the possibility of a global recession and volatility in the global capital markets which, among other things, may increase the cost of capital and adversely impact our access to capital. Any of the foregoing could have a material adverse impact on our business, financial condition, and results of operations.

We are unable to predict the ultimate magnitude and duration of economic disruption from the COVID-19 pandemic and the more recent appearance of COVID variants or the re-imposition or continuation of restrictive measures designed to combat the COVID-19 pandemic by national, regional, and local governments. The other risk factors identified within this document may be exacerbated by the effects of COVID-19 and the related economic, monetary, and political impact (and potential disruption) with respect to it.

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

Commodity prices

We are subject to commodity price risk related to the raw materials we purchase and the energy costs associated with our production processes. The major raw materials we use in spandex production are derived from hydrocarbons which include PTMEG and MDI. Based on management estimates, PTMEG and MDI together account for approximately 85% and 76% of the spandex ingredients cost for the years ended December 31, 2021 and 2020, respectively. PTMEG and MDI are petrochemicals derived from crude oil or natural gas. As such, the costs of the raw materials we use are significantly influenced by the overall costs of crude oil, natural gas, and other energy products derived from hydrocarbons. In some cases, the costs of these derivative petrochemicals can vary independently from the cost of crude oil or natural gas due to product-specific supply and demand forces, such as major maintenance turnarounds or specific supplier manufacturing events. At times, strong global demand for certain petrochemicals has contributed to a tight supply market for some of the raw materials we use. Additionally, the costs of certain raw materials and energy supplies, such as coal or natural gas, vary by region.

During 2021, we saw an increase in our global average PTMEG purchase prices compared to the year ended December 31, 2020. The increase in purchase price has impacted cost of goods sold and working capital, and management expects the abnormally high PTMEG prices to continue impacting results into 2022. Historically, we have maintained prices for our differentiated products, absorbing changes in the raw material market. However, throughout 2021, we have been strategically raising the prices of our branded LYCRA® fiber and LYCRA HyFit® fiber to minimize impacts to our gross margin.

During 2021, we started to see an increase in our energy costs at our manufacturing facilities, particularly our UK site. The increase in cost is primarily a result of higher natural gas, coal, and fuel oil prices. We expect to see these higher prices carry over into 2022 at all of our manufacturing facilities.

The petrochemical industry has periodically experienced production outages. Force majeure situations are rare, but in the past, force majeure events at a key raw materials supplier created supply shortages and pricing pressure. The potential for future production outages at our suppliers’ facilities and/or low raw materials inventories heightens the risk of future cost increases and/or supply chain disruptions for us. While we seek to maintain sufficient raw materials supply and inventories, a major outage or weather-related event within the petrochemical industry could have a significant impact on our operations, profitability, and cash flows.

Given the significance of raw materials and energy costs to total operating expenses and our limited ability to control raw materials and energy costs as compared to other operating costs, volatility in raw materials and energy costs could materially affect profit margins and cash flows. Historically, we have not hedged raw materials and energy costs.

General economic conditions and industry environment

Due to the wide variety of end-use applications for the types of products we produce, our overall level of sales tends to reflect fluctuations in downstream markets that are affected by manufacturing activity, consumer spending, apparel trends, and seasonality. Accordingly, we believe that revenues depend in large part on general macro-economic conditions in the global markets that we serve, as well as on regional economic conditions in the markets in which we operate. For example, our apparel end-use demand was significantly affected by the impact COVID-19 had on the apparel industry during the first half of 2020. Hygiene end-use demand grew as a result of the stockpiling behaviors following the outbreak of COVID-19, increasing sales of

Confidential
info@linx-capital.com
2023-05-31 17:54:23 +0100

our LYCRA HyFit® fiber. Prior to the outbreak of COVID-19, the spandex fiber market grew as a result of global population growth, global gross domestic product growth, increased spandex penetration in both apparel and personal care products, and the creation of new end uses. Subsequent to the COVID-19 pandemic, certain macro-economic trends, such as growth in the athleisure category and increased comfort expectation across garment categories, are supporting continued growth in demand for spandex products.

The industry cycle is characterized by periods of tight supply of spandex throughout the industry leading to high production capacity utilization rates and higher margins, followed by periods of oversupply, primarily as a result of significant generic spandex production capacity additions, leading to a decline in production capacity utilization rates and lower margins. This cycle more heavily impacts our ELASPAN® fiber and nylon activities and has a lesser impact on our branded products. Historically, we tend to operate our spandex plants at high utilization rates, and even during periods of oversupply of generic fiber, we have not significantly reduced overall production capacity, opting instead to alter our product mix to meet market demand of high margin LYCRA® fiber and LYCRA HyFit® fiber and produce ELASPAN® fiber on the incremental capacity. At the end of March 2020, we chose to curtail production at our manufacturing facilities in order to avoid building inventory as a result of the impact the outbreak of COVID-19 had on demand. As of December 2020, we increased our utilization rate and have been operating near full capacity from that time onward. Over the long term, we and our competitors independently affect available production capacity by either operating or idling facilities, by building new production capacity, or shutting down existing production capacity. Our margins tend to decrease with lower production capacity utilization because of fixed costs being spread across lower volumes.

Seasonality

Demand for our spandex fiber is strongest in the spring and fall seasons as our textile customers build inventory for summer and winter fashions. For example, in the PRC, although it varies from year-to-year, demand for spandex fiber tends to be highest from September to November and from immediately after the Chinese New Year holiday to April or May. In Europe, demand is negatively impacted by seasonality in August due to annual summer shutdown periods at mills.

Facility downtime

Plant outages, unplanned downtime, and/or curtailments of operations, either temporary or permanent, could adversely impact profitability and cash flows. Our spandex manufacturing facilities operated with an average uptime rate of approximately 96% and 79% for the years ended December 31, 2021 and 2020, respectively. The reduction in 2020 was a direct result of the impact of COVID-19 on demand. Prior to its closure in October 2020, our La Porte facility operated with an average uptime rate of approximately 65%.

Currency fluctuations

For all of our operations, except in the PRC, the functional currency is the U.S. dollar. We conduct business in various other global currencies including Chinese yuan, euros, and Brazilian reais. Approximately 47% and 51% of our net sales for the years ended December 31, 2021 and 2020, respectively, were in currencies other than U.S. dollars. Prices for our products are generally denominated in or priced relative to U.S. dollars even when sold to customers located outside the United States. Our exposures are primarily related to non-U.S. dollar (1) debt, (2) receivables on foreign sales, (3) payables, and (4) deferred taxes. These are recognized in the income statement as a gain or loss on foreign currency revaluation within "Other (income) expense, net."

The portion of our cost of goods sold and other operating expenses outside the U.S., primarily payroll and rent, are predominately denominated in currencies other than the U.S. dollar, and as a result can impact our financial results because of changing exchange rates as compared to the U.S. dollar. See *"—Quantitative and qualitative disclosure of market risks—Currency risks*."

Product mix

Product mix has an impact on the overall performance of our business. Our products include spandex fibers (differentiated and minimally-differentiated), nylon fibers, and specialty polyester. Our differentiated products are composed of a broad and specialized product line, technical and marketing support to customers, and a globally integrated supply chain to maintain significantly higher pricing positions when generics prices fall. Spandex fibers generate the majority of our gross profit, accounting for more than 90% of our gross profit for each of the years ended December 31, 2021 and 2020, with our differentiated fibers contributing the highest marginal return for all of our products. A change in our product mix due to volume, price, and associated raw material costs will impact our overall business results. Our focus is to implement strategies that drive our high margin-differentiated fibers sales, which carry premium pricing. Our decision to exit the TERATHANE® product line during 2020 supported our product mix strategy.

Price policy

Our differentiated products accounted for approximately 93% and 90% of total fiber sales for the years ended December 31, 2021 and 2020, respectively. As a result, we continue to focus on expanding our differentiated product positions to support improved margins. Our minimally-differentiated products are targeted to compete with generic fibers at a slight price premium to generic. Overall, our minimally-differentiated products have few distinguishing qualities from our competition, and pricing is based primarily on raw material supply relative to demand. Generally, market conditions beyond our control determine the price for minimally-differentiated products, and the price for any one or more of these products may fall below our cost to produce. Therefore, our margins are principally dependent on the quality and differentiation of our product line, our technical and marketing support, managing cost structure, changes in raw materials, transportation, and energy costs, which represent significant components of our operating costs.

We generally do not enter into long-term contracts. However, a few of our branded fiber customers have price/volume agreements which set a price based on expected purchase volumes. Price changes in those contracts may occur based on raw material cost increases and to retain product availability in a tight market.

Key performance indicators

Sales by geographic area

Our business sells products in more than 80 countries. Approximately 51% of our global sales for the year ended December 31, 2021 were concentrated in four countries: the PRC (26%), the United States (12%), Brazil (7%), and Italy (6%), compared to approximately 52% of our global sales for the year ended December 31, 2020 were concentrated in the PRC (22%), the United States (18%), Brazil (6%), and Italy (6%).

The spandex fiber market has continued to grow over the last several years as a result of global population growth, global GDP growth, and increased penetration in both apparel and personal care products.

Confidential info@linkcapital.com 2023-05-31 17:54:33 +0100

Key line items in our income statement

Total revenue

Total revenue includes net sales, sales to related parties, and royalty and licensing income. Total revenues are influenced by generic fiber pricing, raw material costs, the condition of the global economy, and apparel industry trends. Net sales represent total sales to third parties offset by sales reductions made up of rebates and claims, which together represented approximately 1% of total sales for each of the years ended December 31, 2021 and 2020. Sales rebates are available to customers based on purchased volumes. Customers purchasing specified volumes can receive rebates on their overall purchases or reductions on pricing for future purchases. Claim payments occur when a deficiency in the products we manufacture negatively impacts our customers' end products. These payments are minimal and historically represented less than 0.1% of our sales during each applicable fiscal period.

Sales to related parties are primarily sales to equity affiliate joint ventures and an investor company, Itochu Corporation affiliates, at prevailing market price, and they represent approximately 2% of our total sales for each of the years ended December 31, 2021 and 2020.

Cost of goods sold and other operating expenses

Cost of goods sold and other operating expenses includes all costs of manufacturing to bring a product to saleable condition. Such costs include cost of raw materials, direct and indirect labor costs, depreciation, maintenance and repair expense, utilities (primarily energy costs), supplies, amortization of definite-lived intangible assets, pension benefits, and other manufacturing-related costs. The largest component of our costs of goods sold and other operating expenses is the cost of raw materials, and the most significant components of this are the costs associated with PTMEG and MDI. Raw materials, packaging, freight, and energy accounted for approximately 76% and 63% of our cost of goods sold and other operating expenses for the years ended December 31, 2021 and 2020, respectively.

Selling, general and administrative expenses

Selling, general and administrative expenses primarily include sales and marketing, finance, administration, human resources, and information technology costs. These costs include salaries and wages, benefits, advertising and promotion, and bad debt expense.

Research and development expenses

Research and development expenses primarily include costs associated with the innovation and development of new products, support for branded fibers, and technical and product customer support, including related capital expenditures.

Restructuring (income) expense

Restructuring reflects costs or income associated with restructuring plans, including site closures, workforce reductions, asset write-downs and recoveries, and sale of certain assets previously written-off.

Impairment of long-lived assets

Impairment of long-lived assets expense is incurred when the fair value of an asset is determined to be less than its carrying value.

Transaction related costs

Transaction related costs include advisory, legal, accounting, and other professional or consulting fees incurred as a result of the Acquisition.

Other (income) expense, net

Other (income) expense, net typically includes gains or losses related to the foreign currency revaluation of elements of our balance sheet, taxes other than income, and non-recurring items such as asset sales.

Equity in (income) of affiliates

Equity in (income) of affiliates represents our interest in the income of our joint ventures, including our 50% ownership interests in Toray Opelontex Co., Ltd.; ISH-Toray Pte. Ltd.; and Shinpont Industry, Inc and our more than 50% ownership interest in Laika.

Pension non-service cost

Pension non-service cost represents the net of the expected return on assets and the interest cost components of the net periodic pension and other post-retirement benefit expense and other one-time pension non-service costs.

Interest expense, net

Interest expense, net primarily includes costs associated with the Dollar Notes and Euro Notes indebtedness and other debt arrangements.

Net (income) attributable to noncontrolling interest

Net (income) attributable to noncontrolling interest represents the minority interests' share of income due to entities that hold a noncontrolling interest in our Singapore subsidiary, in which the minority interest holder owns 20% of the outstanding equity. The minority interest holder is ISH-Toray Pte. Ltd., an equity affiliate owned 50% by The LYCRA Company.

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

Results of operations

Summary Combined Consolidated Financial Presentation

The following presentation reflects the summary audited consolidated financial results for years ended December 31, 2021 and 2020.

	Year ended December 31,	
	2021	2020
Net sales	$ 1,136	$ 863
Sales to related parties	23	22
Total sales	1,159	885
Royalty and licensing income, net	2	2
Total revenue	1,161	887
Cost of goods sold and other operating expenses	903	689
Gross profit	258	198
Selling, general and administrative expenses	128	113
Research and development expenses	28	27
Restructuring (income) expenses	(39)	18
Impairment of long-lived assets	—	9
Transaction related costs	—	1
Other (income) expense, net	(14)	38
Operating income (loss)	155	(8)
Equity in (income) of affiliates	(8)	(6)
Pension non-service cost	—	16
Interest expense, net	77	82
Income (loss) before income taxes	86	(100)
Income tax expense	27	21
Consolidated net income (loss)	59	(121)
Net (income) attributable to noncontrolling interest	(5)	(7)
Net income (loss) attributable to The LYCRA Company	$ 54	$ (128)

Confidential
info@linx-capital.com
2023-05-31 17:54:33 -0100

Total sales

"Total sales" were $1,159 and $885 for the years ended December 31, 2021 and 2020, respectively. The most significant drivers of the increase in the current year are LYCRA® fiber volume and price gains compared to COVID-19 impacted 2020, as well as a more favorable product mix with premium LYCRA® fiber gains replacing lower-margin generic ELASPAN® volumes. Additionally, LYCRA HyFit®, which was impacted positively in 2020 by favorable market conditions as a result of COVID-19, continued to strengthen in 2021 with price and volume gains. Price increases across all fiber products have been due to business efforts to offset unprecedented increases in raw material costs. Specialties and nylon have also seen volume increases due to market recoveries in 2021. TERATHANE® sales have gradually ceased in 2021 following the closure of La Porte in October 2020 and are negligible compared to the prior year.

Total Revenue

"Total revenue" for the years ended December 31, 2021 and 2020 was $1,161 and $887, respectively.

Cost of goods sold and other operating expenses

"Cost of goods sold and other operating expenses" were $903 and $689 for the years ended December 31, 2021 and 2020, respectively. The increase in the current year is driven by higher variable costs primarily due to accelerating PTMEG raw material costs driven by higher rates as a result of high global demand on low supply. Raw material consumption volumes have also been higher in the current year as business has returned to pre-pandemic levels. Fixed costs are lower in 2021 primarily due to lowers costs due to the La Porte closure.

Selling, general and administrative expenses

"Selling, general and administrative expenses" were $128 and $113 for the years ended December 31, 2021 and 2020, respectively. The increase in the current year is primarily driven by higher employee costs and advertising and promotion costs (with a focus on digital transformation).

Research and development expenses

"Research and development expenses" were $28 and $27 for the years ended December 31, 2021 and 2020, respectively.

Restructuring (income) expenses

"Restructuring (income) expenses" were $(39) and $18 for the years ended December 31, 2021 and 2020, respectively. The current year income is primarily due to the gain of $(23) on sale of pipeline assets at La Porte and the extinguishment of related asset retirement obligations at the site of $(13). The prior year expense of $18 was comprised of asset write-downs, a take or pay obligation in connection with the La Porte restructuring, and future severance payments.

Impairment of long-lived assets

"Impairment of long-lived assets" was $0 and $9 for the years ended December 31, 2021 and 2020, respectively. During 2020, we identified indicators of impairment related to La Porte. Indicators, including market over-supply and related pricing pressures, led to the evaluation of La Porte for impairment. Undiscounted cash flows expected to result from the use and eventual disposition of the assets were less than the carrying amounts of the assets. As a result, the carrying amounts of the assets are deemed not recoverable. On June 30, 2020, we announced our decision to close La Porte by the end of 2020 and exit the supply of chemicals reported as the TERATHANE® product line. As a result of this decision, we recorded $9 of long-lived asset impairment to reduce the carrying value of the property, plant and equipment at this site to $0.

Transaction related costs

"Transaction related costs" were $0 and $1 for the years ended December 31, 2021 and 2020, respectively. These costs include professional fees incurred as a result of the Acquisition.

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

Other (income) expense, net

"Other (income) expense, net" was $(14) and $38 for the years ended December 31, 2021 and 2020, respectively, which is primarily driven by foreign currency gains and losses, most significantly on the Euro Notes.

Equity in (income) of affiliates

"Equity in (income) of affiliates" was $(8) and $(6) for the years ended December 31, 2021 and 2020, respectively.

Pension non-service cost

"Pension non-service cost" was $0 and $16 for the years ended December 31, 2021 and 2020, respectively. The prior year cost was related to the liquidation and collective value transfer of the Dutch pension scheme.

Interest expense, net

"Interest expense, net" was $77 and $82 for the years ended December 31, 2021 and 2020, respectively, and includes interest on the Notes, Promissory Note (which was repaid in full on January 8, 2021), and the Revolving Credit Facility.

Income tax expense

"Income tax expense" was $27 and $21 for the years ended December 31, 2021 and 2020, respectively. The effective tax rate was 31% and (21)% for the years ended December 31, 2021 and 2020, respectively. The effective tax rate differs from the Netherlands' statutory rate of 25% primarily due to losses for tax purposes generated in jurisdictions with full valuation allowances and taxable income earned in jurisdictions with statutory tax rates that are different than the Netherlands' statutory rate.

Net (income) attributable to noncontrolling interest

"Net (income) attributable to noncontrolling interest" was $(5) and $(7) for the years ended December 31, 2021 and 2020, respectively.

Reconciliation of Non-GAAP Financial Measures

EBITDA consists of consolidated net income (loss) adjusted to eliminate (i) interest expense, (ii) income tax expense (benefit), and (iii) depreciation and amortization. Adjusted EBITDA is EBITDA adjusted for (a) non-operating income or expense, (b) the impact of certain non-cash and other items that are included in net income for the periods presented that we do not consider indicative of our ongoing operating performance, and (c) unusual items impacting results in a particular period to more accurately reflect management's view of the recurring profitability of the business.

EBITDA and Adjusted EBITDA are not calculated or presented in accordance with GAAP, and other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do. As a result, these financial measures have limitations as analytical and comparative tools and you should not consider these items in

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

isolation, or as a substitute for analysis of our results as reported under GAAP. EBITDA and Adjusted EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business. In calculating these financial measures, we make certain adjustments that are based on assumptions and estimates that may prove to have been inaccurate. In addition, in evaluating these financial measures, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. For additional information regarding EBITDA and Adjusted EBITDA and our use and presentation of those measures and the related risks, see "*—Use of Non-GAAP financial measures.*"

The following table reconciles consolidated net income (loss) to EBITDA and Adjusted EBITDA for the periods presented (unaudited):

	Year ended December 31,	
	2021	**2020**
Consolidated net income (loss)	$ 59.0	$ (121.4)
Interest expense	77.3	81.9
Income tax expense	26.6	21.2
Depreciation and amortization	68.3	74.3
EBITDA	231.2	56.0
Joint venture EBITDA adjustment [a]	5.9	5.7
Noncontrolling interest EBITDA [b]	(7.7)	(9.5)
Foreign exchange adjustment [c]	(0.3)	(0.1)
Foreign exchange on bonds [d]	(20.7)	24.0
La Porte restructuring [e]	(34.9)	15.2
La Porte post-closure costs [f]	10.4	8.8
Financing costs [g]	0.9	3.2
Restructuring [h]	(2.4)	3.4
Impact of PRC functional currency [i]	4.0	8.1
Other items [j]	2.5	2.3
Impairment of long-lived assets at La Porte [k]	—	8.7
Change in fixed cost estimation basis [l]	—	5.5
Pension non-service cost [m]	—	16.2
Adjusted EBITDA	$ 188.9	$ 147.5

(a) Represents an adjustment to conform The LYCRA Company's share of equity earnings associated with the Toray Opelontex Co., Ltd; ISH-Toray Pte. Ltd; and Shinpont Industry, Inc. joint ventures from net income to EBITDA.

(b) Represents the share of EBITDA attributable to the noncontrolling interest of The LYCRA Company Singapore Pte. Ltd.

(c) Represents foreign currency remeasurement relating to income taxes, most significantly in Brazil, Hong Kong, Switzerland, and the PRC.

(d) Represents the amount of foreign currency remeasurement loss (gain) on the Euro Notes.

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

(e) Represents a reversal of certain accrued liabilities, recognition of income from the sale of pipeline assets at La Porte, net of costs associated with the transaction, and expenses related to restructuring, including future severance payments, and take or pay obligations.

(f) Represents costs incurred at La Porte during 2021 following the cessation of operations in 2020.

(g) Represents non-recurring costs related to the Revolving Credit Facility.

(h) Represents the 2020 expenses from the abandonment of equipment at the Waynesboro, Virginia facility and severance costs associated with the global workforce reduction plan, and the 2021 benefit from the partial recovery of equipment at the Waynesboro, Virginia facility.

(i) Represents impacts from the foreign currency remeasurement losses primarily on intercompany activity with our operations in the PRC, whose functional currency is the Chinese yuan and whose currency translation impacts are reflected within Other Comprehensive Income or (Loss).

(j) Represents one-time costs incurred for Purchase Price Allocation work and other nonrecurring costs.

(k) Represents the expense related to full impairment of the long-lived assets at La Porte.

(l) Represents the effect of a change in estimation basis used for fixed costs in inventory.

(m) Represents the expense related to the liquidation and collective value transfer of the Dutch pension scheme.

Guarantors/Non-Guarantors

For the years ended December 31, 2021 and 2020, the Guarantors represented approximately 65% and 52% of Adjusted EBITDA and approximately 71% and 75% of total sales, respectively, excluding transactions with Non-Guarantors. As of December 31, 2021 and 2020, the Guarantors represented approximately 87% and 90% of combined total assets, respectively, excluding asset balances related to transactions with Non-Guarantors.

As a result of local law restrictions, our subsidiary Chuanglai Fiber (Foshan) Co., Ltd., organized under the laws of the PRC, is not permitted to, and does not, guarantee the Notes. For the years ended December 31, 2021 and 2020, such subsidiary organized under the laws of the PRC represented approximately 37% and 47% of Adjusted EBITDA, respectively, and approximately 24% and 20% of total sales, respectively, excluding transactions with the Guarantors. As of December 31, 2021 and 2020, such subsidiary organized under the laws of the PRC represented approximately 12% and 9%, respectively, of combined total assets, excluding asset balances related to transactions with the Guarantors.

Liquidity and capital resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditures, debt service, acquisitions, and other commitments and contractual obligations. We consider liquidity in terms of net cash provided by operating activities, net cash used in investing activities, and net cash used in financing activities.

Confidential
info@linx-capital.com
2023 05 31 17:54:33 +0100

We finance our liquidity requirements through net cash provided by operating activities, proceeds from the issuance of debt securities, borrowings under our Revolving Credit Facility, and working capital management activities. Our principal liquidity requirements are for working capital, capital expenditures, and servicing intercompany indebtedness.

We anticipate that our cash flows from operations, combined with the available cash on our balance sheet and the availability under our Revolving Credit Facility, will be sufficient to fund our anticipated debt service requirements, working capital requirements, and capital expenditures. As of December 31, 2021 and 2020, we had total cash and cash equivalents of approximately $32 and $117, respectively.

From time to time, we consider strategic opportunities to expand our operations and leverage our capabilities. This includes the evaluation of acquisitions and co-investment opportunities as these opportunities arise, and we may engage in varying levels of negotiations with potential counterparties for any such transaction at any time. If we pursue any of these potential opportunities, we may require additional capital resources to consummate a transaction, and we can provide no assurance that we may be able to obtain such capital resources on favorable terms, or at all.

We have purchased a portfolio of insurance policies that transfers risk above reasonable deductibles to various third-party underwriters. These policies include statutory, contractual, and discretionary liability coverages with most backed by a substantial excess liability umbrella. Property damage and business interruption insurance with retention levels reflecting management and shareholder risk tolerance is purchased for all manufacturing facilities and business support offices. We can provide no assurance that we will be able to obtain or maintain insurance coverage that we consider appropriate for our needs at a reasonable cost, or at all.

Our ability to make payments on our debt, including the Notes, to raise new capital resources, and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors beyond our control. We can provide no assurance that our business will generate sufficient cash flows from operations or that we will be able to raise alternative capital resources on commercially reasonable terms, or at all, in amounts sufficient to meet our future liquidity needs.

In addition, a significant portion of our current operations, including all of our co-investments and many of our strategic investments, are conducted and located outside the United States. There are varying degrees of risk and uncertainty in each of the countries in which we operate. As a global company, we are dependent on cash inflows from our subsidiaries in order to fund our global liquidity needs. To the extent that our subsidiaries do not generate enough cash flows to cover liquidity needs in each respective jurisdiction, we are dependent on cash movements and repatriations between our various U.S. and non-U.S. subsidiaries, including co-investments and strategic investments. We can provide no assurance that we will be able to move or otherwise repatriate cash due to applicable laws of local jurisdictions, various co-investment agreements, or other restrictions. The inability to repatriate or otherwise move cash could negatively impact our ability to meet our future liquidity needs.

The Indenture governing the Notes limits our ability and the ability of our restricted subsidiaries to, among other things, incur additional indebtedness, pay dividends, make loans or investments, and merge or sell all or substantially all of our assets.

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

We may choose to draw on the Revolving Credit Facility in the future depending upon our working capital, capital expenditure, and other general corporate needs. We are subject to certain customary covenants under the Revolving Credit Facility Agreement, which impose restrictions on, among other things, additional indebtedness, liens, investments, advances, guarantees, and mergers and acquisitions.

At December 31, 2021, the outstanding utilization of the Revolving Credit Facility was $50. We have recently negotiated with our lenders under the Revolving Credit Facility Agreement to extend the maturity date from November 2022 to February 2023. See *"Business Overview – Subsequent Events"* for more detail.

As part of the Acquisition, a side letter to the Acquisition Agreement allowed for payment to INVISTA under a Promissory Note for the purpose of satisfying a working capital closing adjustment. The Promissory Note was settled in full (along with accrued and unpaid interest) on January 8, 2021. See Note 9 *Indebtedness – Current Debt* within the Notes to the Consolidated Financial Statements.

Working capital requirements

Our liquidity requirements depend on a number of factors, primarily including (1) the amount of working capital required to purchase raw materials and energy to run our plant operations, the cost of which is volatile, and (2) the effect of seasonality on our business. Our business lines experience seasonality based upon demand for our products that are used as components of clothing. During normal operations, our business has typically generated sufficient cash flows to manage our overall liquidity needs. However, we cannot assure you that this will continue in the future. During periods of growth, we may invest in capital expenditures above cash flow generation.

Substantially all of our joint ventures generate sufficient cash flows to support their working capital and planned capital expenditure needs. If a joint venture intends to undertake a significant expansion of operations or other capital activity that would require capital in excess of the cash flows it generates, generally the joint venture agreement requires that the co-investment obtain the consent of the shareholders before such shareholders are subject to any additional capital calls.

Capital expenditures

Our facilities capital expenditures typically represent the main component of our investing activities. Our capital expenditures requirements are classified as (1) Maintenance Capex and (2) Growth Capex.

We are continually investing in maintenance, refurbishment, and replacement of machinery and equipment, which generally have a useful life of three to twenty years. Our capital expenditures for the years ended December 31, 2021 and 2020 were $11 and $6, respectively.

In some cases, compliance with environmental, health, and safety laws and regulations can only be achieved by capital expenditures, such as the installation of pollution control equipment. We anticipate that the need to invest in environmental compliance and pollution controls will continue, and although it is not possible to predict future expenditures with certainty, management expects capital expenditures to increase for various growth-related projects.

Confidential
info@lnx-capital.com
2023-05-31 17:54:03 +0100

Expenditures for the year ended December 31, 2021 were associated with maintenance and growth costs spread among nearly all of our facilities. Expenditures for the year ended December 31, 2020 were associated with annual maintenance costs.

	Year ended December 31,	
	2021	2020
Maintenance Capex	$ 6	$ 5
Growth Capex	5	1
	$ 11	$ 6

Historical cash flow data

The following table shows our cash flows for the periods indicated.

	Year ended December 31,		
	2021	2020	Change
Net cash provided by (used in) operating activities	$ (72)	$ 86	$ (158)
Net cash (used in) investing activities	(16)	(7)	(9)
Net cash provided by (used in) financing activities	6	(49)	55

Despite higher sales in 2021, "Net cash provided by (used in) operating activities" decreased $(158) for the year ended December 31, 2021, driven by increases in working capital accounts in 2021, contrasted with working capital reductions as part of our COVID-19 response in 2020. The decrease in 2021 is primarily driven by higher raw material costs resulting in higher inventory values, partially offset by higher payables, increased sales driving higher receivables, and other current asset increases due to increased advanced payments for raw materials.

"Net cash (used in) investing activities" was $(16) and $(7) for the years ended December 31, 2021 and 2020, respectively. Cash uses for the year ended December 31, 2021 include $(30) investment in Laika equity affiliate, sale proceeds of $24 for pipeline assets at La Porte, and normal capital expenditures. Cash uses for the year ended December 31, 2020 reflect normal capital expenditures.

"Net cash provided by (used in) financing activities" was $6 for the year ended December 31, 2021 including the $30 net borrowings of the Revolving Credit Facility, $(18) final payment of principal on the Promissory Note, and $(6) dividends paid to a noncontrolling interest. "Net cash provided by (used in) financing activities" of $(49) for the year ended December 31, 2020 reflects the $(35) payments of principal on the Promissory Note, final installment of $(10) for the Taiwan Acquisition and $(4) payment of deferred financing costs.

Pension liabilities

We also have obligations with respect to pension and other post-retirement benefits. As of December 31, 2021 and 2020, we had funded and unfunded plans in which the aggregate amount of the projected benefit obligations exceeded the fair value of plan assets by $8 and $14, respectively. Normal funding of these liabilities has been and is expected to be satisfied from our general assets and cash flows. Our pension and other post-retirement benefit plans costs and obligations are dependent on various actuarial assumptions, and the results of each of the plans and corresponding future funding obligations could vary based upon the actual short-term and long-term results of the assumptions as compared to the estimated assumptions.

Confidential
info@lim-capital.com
2023-05-31 17:54:33 +0100

Off-balance sheet arrangements

We have purchase commitments for certain operating supply contracts, capital projects, and services. These purchase obligations were $28 as of December 31, 2021, compared to $23 as of December 31, 2020.

Selected critical accounting policies

There have been no material changes in the matters for which we make critical accounting estimates in the preparation of our consolidated financial statements as of December 31, 2021, as stated in Note 2 *Summary of significant accounting policies and practices* within the Notes to the Consolidated Financial Statements.

Recently adopted accounting pronouncements

There have been no material changes from recently adopted accounting pronouncements as of December 21, 2021, except as noted below. For more information with respect to new accounting pronouncements, see Note 2 *Summary of significant accounting policies and practices – Recently issued accounting standards* within the Notes to the Consolidated Financial Statements.

On January 1, 2021, The LYCRA Company adopted ASU 2016-02, Leases ("ASC 842"), and all the related amendments using the modified retrospective method. The core principle of ASC 842 is that a lessee should recognize on the balance sheet the lease assets and lease liabilities that arise from all lease contracts with terms greater than 12 months. The comparative prior period information has not been restated and continues to be reported under the accounting standards in effect for those periods. As part of the adoption, The LYCRA Company elected to utilize the package of practical expedients included in this guidance, which permitted The LYCRA Company to not reassess (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases, (3) the accounting for initial direct costs that were previously capitalized. The LYCRA Company did not elect the hindsight practical expedient to determine the lease term for existing leases at adoption date.

The adoption of ASC 842 was a change in accounting principle which resulted in the recognition of right of use ("ROU") lease assets of $60, with corresponding lease liabilities of $36. The difference of $24 between the opening balance ROU assets and lease liabilities is due to the reclassification of favorable lease intangible assets for three acquired ground leases and one land use rights asset. At adoption, the measurement of the lease liabilities utilized the remaining minimum payments as defined under the previous accounting standard and the incremental borrowing rate as of January 1, 2021. The adoption of ASC 842 did not materially impact the Consolidated Statements of Operations and Comprehensive Income (Loss). Additionally, the adoption of ASC 842 had no material impact on operating, investing, and financing cash flows in the Consolidated Statements of Cash Flows. See Note 15 *Leases* within the Notes to the Consolidated Financial Statements for additional disclosure regarding the adoption of this new accounting standard.

Quantitative and qualitative disclosure of market risks

We are exposed to various market risks as part of our business activities. Several of these risks are described in detail in the "Risk Factors" section elsewhere in this annual report. We do not enter into financial instruments for trading or speculative purposes.

The main risk areas that may have a material impact on our business performance, as well as our financial position and results of operations, are described below.

COVID-19

The impact of the COVID-19 pandemic is fluid and continues to evolve, and therefore we cannot currently predict the extent to which our business, results of operations, or financial condition will ultimately be impacted. In particular, we cannot predict the extent to which the COVID-19 pandemic will affect our business, results of operation, or financial condition in the long term because the duration and severity of the pandemic and its negative impact on the economy, including our customers, is unclear. The impact of the COVID-19 pandemic on us will also be dependent on: the resiliency of the apparel market and consumer spending more broadly, actions taken by national, state, and local governments to contain the disease or treat its impact, and any prolonged economic recession resulting from the pandemic. There is no certainty that current mitigating measures, or any additional actions that we may take in the future, will be successful in mitigating the impact of the pandemic on our business, results of operations, or financial condition.

We currently expect that the COVID-19 outbreak will continue to impact our financial performance further into 2022, particularly to the extent of a resurgence of the COVID-19 pandemic. We are unable to predict the ultimate impact of any such resurgence or the re-imposition or continuation of restrictive measures designed to combat the COVID-19 pandemic by national, regional, and local governments.

Currency risks

We conduct operations in many countries around the world. Our results of operations are subject to both currency transaction risk and currency translation risk. We consider the U.S. dollar to be our primary functional currency, however the Chinese yuan is the functional currency for our operations in the PRC, and, as such, exchange rate differences are included as a currency translation adjustment within accumulated other comprehensive income in our Consolidated Statement of Shareholder's Equity for the year ended December 31, 2021. We incur currency transaction risk whenever we enter into either a purchase or sale transaction using a currency other than the functional currency of the transacting entity. With respect to currency transaction risk, our financial condition, and results of operations, including our Euro debt, are measured and recorded in the relevant domestic currency and then remeasured into U.S. dollars for inclusion in our combined financial statements. Exchange rates between these currencies and U.S. dollars have fluctuated significantly over the last few years and may do so in the future. A substantial portion of our revenue and costs are denominated in or effectively indexed to U.S. dollars, and we also have significant revenues and costs in Chinese yuan, euros, and Brazilian reais. We do not currently engage in hedging activities intended to limit exposure to foreign currency transaction or translation risk.

For the year ended December 31, 2021, a 10% change in the exchange rate would have had the following revenue impacts relative to the U.S. dollar: (1) a $25 impact related to the Chinese yuan, (2) a $17 impact related to the euro, and (3) a $8 impact related to the Brazilian real.

Interest rate risk

Our indebtedness and other debt arrangements are primarily comprised of the Notes (which have fixed interest rates), the Revolving Credit Facility (which borrowings have an interest rate based on EURIBOR or LIBOR), and our other ancillary facilities (including bi-lateral facilities, lines of credit, and overdraft facilities).

Confidential
info@linx-capital.com

A one-eighth percentage point increase or decrease in the applicable interest rate for the Revolving Credit Facility (assuming the Revolving Credit Facility is fully drawn) would have an annual impact of $0.1 on cash interest expense.

Commodity price risk and supply

Commodity risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices of commodities (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. We are subject to commodity price risk under agreements for the supply of our raw materials. Our exposure to commodity and other price risk arises principally from the purchase of crude oil (and its derivatives), natural gas, and coal. We generally purchase commodities at spot market prices and do not use commodity financial instruments or derivatives to hedge commodity prices.

During 2021, we saw an increase in our global PTMEG purchase prices compared to the year ended December 31, 2020. The increase in purchase price has impacted cost of goods sold and working capital and management expects the unprecedented PTMEG prices to continue impacting results into 2022. To minimize the impacts to our gross margin, we will continue to review the prices of our branded LYCRA® fiber and LYCRA HyFit® fiber.

During 2021, we started to see an increase in our energy costs at our manufacturing facilities, particularly our UK site. The increase in cost is primarily a result of higher natural gas, coal, and fuel oil prices. We expect to see these higher prices carry over into 2022 at all of our manufacturing facilities.

Confidential
info@linxcapital.com
2023-05-31 17:54:53 +0100

The LYCRA Company
Certain Relationships and Related Party Transactions
(Amounts in millions of U.S. dollars)

Employment Agreements

From time to time, we may enter into other employment or compensation arrangements with senior management or other key employees.

Sales with Affiliates

We provide goods and services to Toray Opelontex Co., Ltd. and Itochu Corporation subsidiaries and affiliates. All sales activity with the affiliates are included in "Sales to related parties" in the consolidated financial statements included elsewhere in this annual report. Sales of finished goods and services to affiliates for the years ended December 31, 2021 and 2020 were $23 and $22, respectively.

Promissory Note

As part of the Acquisition, a side letter to the Acquisition Agreement allowed for payment to INVISTA under a Promissory Note for the purpose of satisfying a working capital closing adjustment. The Promissory Note was settled in full (along with accrued and unpaid interest) on January 8, 2021. See Note 9 *Indebtedness – Current Debt* within the Notes to the Consolidated Financial Statements.

Laika Joint Venture

On August 3, 2021, The LYCRA Company established a majority-owned joint venture, Laika, with a related party minority partner, Wanzhong, for the purpose of acquiring additional spandex manufacturing capacity from Jining Ruyi High-tech Fiber Material Co., Ltd in China. See Note 14 *Significant customers and related party transactions – Laika Joint Venture* within the Notes to the Consolidated Financial Statements.

Commitments

Parent, as primary obligor, and Jining Ruyi, a directly owned subsidiary of Ruyi as guarantor, have entered into a commitment letter with Issuers related to the consideration paid and certain fees and expenses incurred by Issuers in connection with the Acquisition. A similar letter was entered into in connection with the Taiwan Acquisition. These provided a commitment to pay or reimburse certain amounts paid by the Issuers.

The recent appointment of receivers over the assets of, and shares held by the majority shareholder of, Ruyi Textile and Fashion International Group Limited which has disenfranchised the Parent and Jining Ruyi from The LYCRA Company could make payment and/or recovery under these commitment letters unlikely.

Confidential
info@linxcapital.com
2022-05-31 17:54:33 +0100

Eagle Super Global Holding B.V. and Subsidiaries

d/b/a The LYCRA Company

CONSOLIDATED FINANCIAL STATEMENTS

(Audited)

For the year ended December 31, 2021

Confidential
info@inx-capital.com
2023-05-31 17:54:33 +0100

Table of Contents

Report of Independent Auditors F-3

Audited Consolidated Financial Statements

Consolidated Balance Sheets.... F-6
Consolidated Statements of Operations and Comprehensive Income (Loss) F-7
Consolidated Statement of Shareholder's Equity F-8
Consolidated Statements of Cash Flows F-9
Notes to Consolidated Financial Statements F-10

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

To the Board of Directors
Eagle Super Global Holding B.V.:

Qualified Opinion

We have audited the consolidated financial statements of Eagle Super Global Holding B.V. and its subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operations and comprehensive income (loss), shareholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Qualified Opinion

The Company's investment in Laika New Material (Foshan) Co., Ltd. (Laika), a foreign joint venture affiliate formed during the year and accounted for under the equity method, is carried at $30 million on the consolidated balance sheet as of December 31, 2021, and the Company's share of Laika's net income of $0 is included in the Company's net income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in Laika as of December 31, 2021 and the Company's share of Laika's net income for the year then ended because we were denied access to the financial information and management of Laika. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has €250 million aggregate principal amount of 5.375% Senior Secured Notes that will mature in May 2023 and $100 million of debt outstanding from the Revolving Credit Facility that will mature in February 2023 without sufficient liquidity available to satisfy the debt payments when due, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding this matter are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Confidential
info@lrx-capital.com
2023-05-31 17:54:33 +0100

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

Other Matter

The consolidated financial statements of the Company as of and for the year ended December 31, 2020 were audited by another auditor, who expressed an unmodified opinion on those statements on March 31, 2021.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

Philadelphia, Pennsylvania
May 27, 2022

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

The LYCRA Company

Consolidated Balance Sheets

(Amounts in millions of U.S. dollars)

(Audited)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 32	$ 117
Restricted cash	3	1
Receivables, net	184	144
Inventories, net	239	136
Prepaid expenses and other current assets	43	17
Total current assets	501	415
Property, plant and equipment, net	329	378
Right of use lease assets, net	60	—
Goodwill	953	953
Other intangible assets, net	477	496
Investments in equity affiliates	166	134
Other assets	9	24
Total assets	$ 2,495	$ 2,400
Liabilities and Shareholder's Equity		
Current liabilities:		
Current debt	$ 50	$ 39
Lease liabilities, current portion	5	—
Payables	134	113
Accrued and other current liabilities	75	74
Total current liabilities	264	226
Long-term debt, net	952	965
Lease liabilities, long-term	31	—
Pension and other post-retirement benefit liabilities	8	14
Other liabilities	7	21
Deferred income tax liabilities	40	43
Total liabilities	$ 1,302	$ 1,269
Shareholder's equity:		
Shareholder's equity	$ 1,069	$ 1,013
Accumulated other comprehensive income	27	20
Total The LYCRA Company shareholder's equity	1,096	1,033
Noncontrolling interest	97	98
Total shareholder's equity	1,193	1,131
Total liabilities and shareholder's equity	$ 2,495	$ 2,400

See accompanying notes to the consolidated financial statements.

Confidential
info@linx-capital.com
2023-05-31 17:54:33+0100

The LYCRA Company

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Amounts in millions of U.S. dollars)
(Audited)

	Year ended December 31,	
	2021	2020
Net sales	$ 1,136	$ 863
Sales to related parties	23	22
Total sales	1,159	885
Royalty and licensing income, net	2	2
Total revenue	1,161	887
Cost of goods sold and other operating expenses	903	689
Gross profit	258	198
Selling, general and administrative expenses	128	113
Research and development expenses	28	27
Restructuring (income) expenses	(39)	18
Impairment of long-lived assets	—	9
Transaction related costs	—	1
Other (income) expense, net	(14)	38
Operating income (loss)	155	(8)
Equity in (income) of affiliates	(8)	(6)
Pension non-service cost	—	16
Interest expense, net	77	82
Income (loss) before income taxes	86	(100)
Income tax expense	27	21
Consolidated net income (loss)	59	(121)
Net (income) attributable to noncontrolling interest	(5)	(7)
Net income (loss) attributable to The LYCRA Company	$ 54	$ (128)
Consolidated net income (loss)	$ 59	$ (121)
Other comprehensive income (loss), net of tax		
Recognition of actuarial gains	4	14
Foreign currency translation adjustment	3	16
Comprehensive income (loss)	66	(91)
Net (income) attributable to noncontrolling interest	(5)	(7)
Comprehensive income (loss) attributable to The LYCRA Company	$ 61	$ (98)

See accompanying notes to the consolidated financial statements.

Confidential info@linx-capital.com 2023-05-31 17:54:33 +0100

The LYCRA Company

Consolidated Statement of Shareholder's Equity

(Amounts in millions of U.S. dollars)

(Audited)

	The LYCRA Company Shareholder's Equity					
	Retained deficit	Additional paid in capital	Accumulated other comprehensive income	Total The LYCRA Company shareholder's equity	Noncontrolling interest	Total equity
Balances at December 31, 2019	$ (345)	$ 1,481	$ (10)	$ 1,126	$ 91	$ 1,217
Consolidated net (loss)	(128)	—	—	(128)	7	(121)
Share-based compensation	—	5	—	5	—	5
Other comprehensive income	—	—	30	30	—	30
Balances at December 31, 2020	$ (473)	$ 1,486	$ 20	$ 1,033	$ 98	$ 1,131
Consolidated net income	54	—	—	54	5	59
Dividends paid to noncontrolling interest	—	—	—	—	(6)	(6)
Share-based compensation	—	2	—	2	—	2
Other comprehensive income	—	—	7	7	—	7
Balances at December 31, 2021	$ (419)	$ 1,488	$ 27	$ 1,096	$ 97	$ 1,193

See accompanying notes to the consolidated financial statements.

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

The LYCRA Company

Consolidated Statements of Cash Flows

(Amounts in millions of U.S. dollars)
(Audited)

	Year ended December 31,	
	2021	2020
Cash flows from operating activities:		
Consolidated net income (loss)	$ 59	$ (121)
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	68	71
Amortization of bank financing costs	8	7
Share-based compensation	2	5
Exchange rate changes on cash and cash equivalents and restricted cash	1	—
Undistributed (earnings) from investment in equity affiliates	(8)	(6)
(Gain) on sale of pipeline assets	(23)	—
Impairment of long-lived assets	—	9
Abandonment (Recoveries) of long-lived assets	(1)	3
Deferred income taxes	(3)	—
Pension expense, net of contributions	2	12
Return on investment in equity affiliates	6	6
Changes in assets and liabilities: (1)		
Receivables	(40)	2
Inventories	(104)	69
Other assets	(29)	(4)
Payables	—	17
Other liabilities	(10)	16
Net cash provided by (used in) operating activities	(72)	86
Cash flows from investing activities:		
Investment in Laika New Material (Foshan) Co., Ltd.	(30)	—
Capital expenditures	(10)	(7)
Proceeds from sale of pipeline assets	24	—
Net cash (used in) investing activities	(16)	(7)
Cash flows from financing activities:		
Borrowings of revolvers	50	77
Repayments of revolvers	(20)	(77)
Payments of short-term debt	(18)	(35)
Payments of Taiwan Acquisition related party payable	—	(10)
Payment of deferred financing costs	—	(4)
Dividends paid to noncontrolling interest	(6)	—
Net cash provided by (used in) financing activities	6	(49)
Net increase (decrease) in cash and cash equivalents and restricted cash	(82)	30
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1)	—
Cash and cash equivalents and restricted cash at beginning of period	118	88
Cash and cash equivalents and restricted cash at end of period	$ 35	$ 118

[(1)] Net of effect of translation

Supplemental cash flow information		
Taxes paid	$ 32	$ 25
Interest paid	$ 68	$ 75

See accompanying notes to the consolidated financial statements.

Confidential info@linx-capital.com 2023-05-31 17:54:33 +0100

Notes to Consolidated Financial Statements

(Amounts in millions of U.S. dollars)
(Audited)

1. Description of business and basis of presentation

Description of business

Eagle Super Global Holding B.V. ("Eagle Super") is a private holding company with limited liability incorporated under the laws of the Netherlands, wholly owned by Eagle Ultimate Global Holding B.V., a Dutch holding company which is controlled by Shandong Ruyi Technology Group Co., Ltd ("Shandong Ruyi").

On January 31, 2019, pursuant to a sale and purchase agreement with, among others, INVISTA Equities, LLC ("INVISTA"), subsidiaries of Eagle Super completed the purchase (the "Acquisition") of the entire issued share capital and limited liability company interests of Arteva Global Holdings B.V. and A&AT LLC. Post-Acquisition, Eagle Super and subsidiaries are collectively known as The LYCRA Company.

On August 30, 2019, pursuant to a sale and purchase agreement with, among others, INVISTA, The LYCRA Company completed the purchase (the "Taiwan Acquisition") of the entire issued share capital of INVISTA (Taiwan) Limited, including its interests in Shinpont Industry Inc., the Taiwanese joint venture.

The LYCRA Company (the "Company") innovates and produces fiber and technology solutions for the apparel and personal care industries, as well as specialty chemicals used in the spandex and polyurethane value chains. Headquartered in Wilmington, Delaware, the Company is recognized worldwide for its innovative products, technical expertise, and unmatched marketing support. The Company owns leading consumer and trade brands: LYCRA®, LYCRA HyFit®, LYCRA® T400®, COOLMAX®, THERMOLITE®, ELASPAN®, SUPPLEX®, and TACTEL®. The Company's legacy stretches back to 1958 with the invention of the original spandex yarn, LYCRA® fiber. Today, the Company is focused on adding value to its customers' products by developing unique innovations designed to meet the consumer's need for comfort and lasting performance.

The Company produces apparel fibers at six facilities worldwide. These facilities are located in North America, Europe, Asia, and South America. In addition, the Company has several fiber processing operations in various locations around the world.

As of the end of 2020, the Company exited its production of chemicals sold within the TERATHANE® product line. The decision followed a strategic review of the business and was based on market oversupply and related pricing pressures, especially on its key output material, PTMEG, and the desire to align resources and capabilities with future growth opportunities within its core LYCRA® fiber brands.

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. At December 31, 2021 the Company had long-term debt including €250 aggregate principal amount of 5.375% Senior Secured Notes that will mature in May 2023, $50 of current debt outstanding under a Revolving Credit Facility ("RCF"), and subsequent to year-end withdrew another $50 resulting in a total of $100 outstanding under the RCF that will mature in February 2023 without sufficient liquidity available to satisfy the debt payments when due, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. The Company's management is currently working with lenders to secure refinancing that will replace the existing 5.375% Senior Secured Notes as well as other debts on or before maturity. As of May 27, 2022, the Company does not have additional financing commitments secured and no assurances can be made that we will secure this refinancing on or before maturity of obligations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and subsidiaries in which a controlling interest is maintained. For controlled subsidiaries in which ownership is less than 100%, the outside investor's interests are reported as a noncontrolling interest. The equity method is used to account for entities that the Company does not control and in which the Company exercises significant influence. All intercompany balances and transactions are eliminated in consolidation. Sales to and purchases from entities accounted for using the equity method are reported at a gross amount. The Company ownership portion of intercompany profit remaining in inventory at period end is eliminated.

Basis of presentation

The accompanying consolidated financial statements have been prepared on the basis of United States generally accepted accounting principles ("U.S. GAAP"). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosed amounts of contingent assets and liabilities, and the reported amounts of revenues and expenses. If the underlying estimates and assumptions change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements.

2. Summary of significant accounting policies and practices

Cash and cash equivalents

Cash equivalents consist of highly liquid investments that are readily convertible into cash with original maturities of three months or less. Cash equivalents consist primarily of money market funds and other investments.

Restricted cash

Restricted cash consists of funds that are contractually restricted as to usage or withdrawal.

Allowance for doubtful accounts

The Company establishes the estimate of current expected credit losses upon initial recognition of trade receivables and routinely assesses the estimate by analyzing each customer's outstanding balance, credit quality, tenor, historical experience, current and expected economic trends, and/or customer-specific knowledge such as the customer's creditworthiness and solvency. Judgment is required to assess the ultimate realization of the Company's accounts receivable. When the Company ultimately concludes that a trade receivable is uncollectible, the balance is charged against the allowance for doubtful accounts, resulting in receivables that are stated at amortized cost, net of any allowance for credit losses. Allowances for doubtful accounts expense is recorded in "Selling, general and administrative expenses" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Inventories

Inventories are stated at lower of cost or net realizable value. The Company provides a reserve for inventory when indicators, such as declining product demand, decreased price levels, obsolescence, physical

deterioration, or other economic factors are present that indicate that net realizable value is less than cost. Cost is determined primarily using the weighted-average cost method.

The allocation of fixed production overheads to inventories is based on the normal capacity of the production facilities.

Financial instruments

The Company's financial instruments, which are carried at cost, including trade and non-trade accounts receivable, related party receivables, trade accounts payable, related party payables, and other current liabilities, approximate fair value because of their short maturities. The Company's long-term debt is also a financial instrument whose fair value is determined using quoted prices in active markets.

Fair value measurements

U.S. GAAP utilizes a three-level hierarchy to determine fair value of assets and liabilities based upon whether the inputs utilized to derive the valuation are observable or unobservable. Level 1 inputs are those determined based upon quoted prices in active markets for identical assets. Level 2 inputs generally include observable, market-based information derived from independent sources. Level 3 inputs are unobservable and include management estimates, pricing models, discounted cash flow analysis, and other techniques that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Confidential
info@linx-capital.com
2023-05-31 17:54:52 +0100

Long-lived assets

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Depreciation of property, plant and equipment is based on the following estimated useful lives:

Buildings, plants and improvements	2 to 45 years
Machinery and equipment	3 to 20 years
Furniture, fixtures and other	2 to 15 years

Expenditures for maintenance and repairs are charged against expense; major replacements, renewals, and significant improvements that extend the useful life of the assets are capitalized and depreciated over the useful life of the asset. Gains and losses recognized on assets disposed are included in "Other (income) expense, net" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Impairments of long-lived assets held for use

Long-lived assets used in operations are tested for possible impairment when events or changes in circumstances indicate a potential significant deterioration in future cash flows projected to be generated by an asset or asset group, as applicable (hereinafter referred to as "asset"). If indicators of impairment are present and the sum of the projected undiscounted cash flows expected to result from the use and eventual

disposition of the asset is less than the carrying value of an asset, the carrying value is written down to estimated fair value. The fair values of long-lived assets are determined utilizing inputs such as the present value of projected future cash flows using discount rates commensurate with the risks involved in the asset. Discounted cash flow analysis is based upon estimates management believes a market participant would utilize relating to, but not limited to, short and long-term forecasts of the reporting unit's operations, supply and demand levels, pricing dynamics between commodity and differentiated products, industry trends, utilization rates of the Company's assets, general macroeconomic conditions, and cost of capital. For the market approach, market indicators such as comparable company analysis and active marketplace transactions, if available, are utilized. Given the unobservable nature of these inputs in the marketplace, they are considered to be Level 3 inputs in the fair value hierarchy. Actual future results could be materially different from the Company's projections. Should an impairment of assets arise, the Company would be required to record a charge to operations that could be material to the period reported.

Asset retirement obligations

The Company has operations where regulations or contracts would require it to perform certain retirement activities conditional upon the shutdown of the operations and/or abandonment of the facilities. These activities may include the dismantling of facilities and removing certain hazardous materials or contaminants from the physical location. When sufficient information exists to determine a reasonable date or range of dates for an asset retirement, the Company will estimate the cost of retirement activities and record the present value of the expected liability. The changes in the liability due to passage of time are measured by applying an interest rate to the liability balance. This amount is recognized as an increase in the carrying amount of the liability and as a corresponding accretion expense. The obligation is initially measured at fair value using expected present value techniques. Over time the liabilities are accreted for the change in their present value. The asset retirement obligation liability was $5 and $18 at December 31, 2021 and 2020, respectively.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control an identified asset for a period of time in exchange for consideration. Control over the use of the identified asset means the Company has both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset throughout the period of use. The Company is mainly lessee in operating leases for real estate assets (such as industrial buildings, warehouses and offices) but also machinery, vehicles, and other equipment with lease terms of 10 years or less. In addition, the Company has land use leases with remaining lease terms up to 81 years. The Company's finance leases are primarily for vehicles and are not material. Certain lease agreements contain scheduled rent escalation clauses and others include rental payments adjusted periodically depending on an index or rate. Certain lease agreements require the Company to pay, insurance, common area maintenance, and other costs, collectively referred to as operating costs, in addition to base rent.

At the commencement date of a lease, the Company recognizes a right-of-use ("ROU") asset and a lease liability. The ROU asset is measured at an amount equal to the amount of the initial measurement of the lease liability adjusted for the reclassification of certain balance sheet amounts, such as deferred or prepaid rent and favorable lease intangibles, if applicable. The ROU asset is subsequently depreciated over the lease term and is subject to impairment.

The lease liability is initially measured at the present value of the future lease payments at the commencement date of the lease. The lease payments include fixed payments (including in-substance fixed payments) less any

Confidential
info@linx-capital.com
2023-05-31 17:54:55 +0100

lease incentives paid or payable, variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date. ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate ("IBR"). Therefore, the Company generally uses its IBR as the discount rate for the lease based on a portfolio approach. The Company's IBR is based on capital market or direct bank lending quoted rates.

The Company's lease contracts may include options to extend the lease following the initial term or terminate the lease prior to the end of the initial term. In most instances, at the commencement of the lease, the Company has determined that it is not reasonably certain to exercise either of these options; accordingly, these options are generally not considered in determining the initial lease term. At the renewal of an expiring lease, the Company reassesses options in the contract that it is reasonably certain to exercise in its measurement of lease term.

Variable lease payments associated with the Company's leases are recognized upon occurrence of the event, activity, or circumstance in the lease agreement on which those payments are assessed. Variable lease payments are presented in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss) in the same line item as expense arising from fixed lease payments, such as Cost of goods sold and other operating expenses, Selling, general and administrative expenses, and Research and development expenses.

Key estimates and judgments include how the Company determines (1) whether a contract is or contains a lease and (2) the discount rate it uses to discount the future lease payments to present value. The Company made an accounting policy election not to separate non-lease components from lease components and instead to account for each separate lease component and the non-lease components associated with that lease component as a single lease component for all classes of underlying assets.

Leases with an initial term of 12 months or less ("short-term") are not recorded on the balance sheet. The Company recognizes lease expense for short-term leases on a straight-line basis over the lease term.

The Company is also a lessor of various buildings which are deemed to be operating leases. The Company recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

Goodwill

Goodwill represents the excess of costs over fair value of net assets of a business acquired. Goodwill is not amortized but is tested for impairment at least annually. The Company performs the impairment test at the reporting unit level in the fourth quarter of every year. Additional assessments may be performed if events or circumstances arise which indicate that, more likely than not, the carrying value of the goodwill has been impaired.

Other intangible assets

Intangible assets with estimable useful lives are amortized, on a straight-line basis, over their respective estimated useful lives to their estimated residual values, if any, and are reviewed for impairment consistent with the approach to long-lived assets. Intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually in the fourth quarter of every year. Additional assessments

Confidential
info@linxcapital.com
2023-05-31 17:54:35 +0100

may be performed if events or circumstances arise which indicate that, more likely than not, the carrying value of the intangible assets has been impaired.

In-process research and development intangible assets will remain indefinite-lived assets until their completion or abandonment. Once the research and development efforts are completed, the Company will determine the useful life of the assets and perform an impairment test immediately prior to the change in classification to finite-lived. If the research and development efforts are abandoned prior to being completed, the asset will be written off to expense in the period of abandonment.

Impairment of equity affiliates

The Company evaluates its investments for impairments when events or changes in circumstances indicate that the carrying value of such investments may have experienced an other-than-temporary decline in value. When evidence of loss in value has occurred, the Company compares its estimate of the fair value of the investment to the carrying value of the investment to determine whether an impairment has occurred. If the estimated fair value is less than the carrying value and the decline in value is determined to be other-than-temporary, the excess of the carrying value over the fair value is recognized as an impairment charge.

Restructuring

The Company recognizes liabilities related to employee termination benefits and other costs to exit an activity initially at fair value in the period in which they are incurred. Restructuring balances are recorded at fair value utilizing unobservable inputs that have been determined to be Level 3 inputs in the fair value hierarchy. Termination benefits requiring services to be rendered beyond a minimum retention period are measured initially at the communication date based on the fair value of the liability as of the termination date. These benefits are recognized ratably over the future service period.

Pension and other post-retirement plans

The funded status of each of the pension and other post-retirement benefit plans is recognized separately in the Consolidated Balance Sheets as either an asset or liability. The funded status is the difference between the fair value of plan assets and the plan's benefit obligation. The Company's pension and other post-retirement benefit plan costs and obligations are dependent on various actuarial assumptions, including but not limited to, rate of return on plan assets, the rate at which future obligations are discounted to value the liability (discount rate), the rate of compensation increases, and health care cost trend rates. The Company makes assumptions relating to discount rates, rates of compensation increases, expected returns on plan assets, and health care cost trend rates at each December 31 balance sheet date. Refer to Note 10 "Pension and other post-retirement benefit liabilities" for further information on these assumptions. Plan assets are classified as either Level 1, 2, or 3 in the fair value hierarchy or by their net asset value (NAV) based upon the specific characteristics of the underlying investments in each plan.

Unrecognized actuarial gains and losses and unrecognized prior service costs and credits are deferred and recorded in "Accumulated other comprehensive income" in the Consolidated Balance Sheets. Unrecognized actuarial gains and losses in excess of 10% of the greater of the benefit obligation or the market-related value of plan assets are amortized over the participants' average remaining future years of service.

The expected return on plan assets component of net periodic benefit cost (credit) is calculated using the market-related value of plan assets. For the Company pension plans, the market-related value of plan assets

Confidential
info@linxcapital.com
2023-05-31 17:54:33 +0100

is equal to the fair value of plan assets adjusted to reflect the amortization of gains or losses associated with the difference between the expected and actual return on plan assets over a 5-year period. Additionally, the market-related value of assets may be no more than 110% or less than 90% of the fair value of plan assets at the beginning of the year.

Share-based compensation

Share-based compensation consists of Share Appreciation Rights ("SAR"). SAR are equity-classified and measured at the fair value at grant dates. SAR expense is recognized using the straight-line attribution method over the requisite service period for each separately vesting portion of the award.

Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

Environmental expenditures that extend the life, increase the capacity, or improve the safety or efficiency of the Company's property are capitalized. Additionally, expenditures which mitigate or prevent environmental contamination that has yet to occur are capitalized. Such liabilities are recorded on an undiscounted basis when assessments or claims are probable, and the costs can be reasonably estimated, which is generally no later than completion of the remedial feasibility study.

Foreign currency

For all of its operations, except in China, the Company considers the U.S. dollar to be its functional currency. For operations where the U.S. dollar is the functional currency, foreign-currency-denominated monetary assets and liabilities are remeasured into U.S. dollars at the end-of-period exchange rates. The Company's monetary exposures primarily include balances denominated in Chinese yuan, euros, and Brazilian reais. Foreign-currency-denominated nonmonetary assets, such as inventories, prepaid expenses, property, plant and equipment, and intangible assets are remeasured into U.S. dollars at historical exchange rates. Foreign-currency-denominated income and expense elements are remeasured into U.S. dollars at a rate that approximates the average exchange rate in effect during the reporting period, except for income or expenses related to nonmonetary assets, which are remeasured at historical exchange rates. Exchange gains and losses from the remeasurement of foreign-currency-denominated monetary assets and liabilities are included in "Other (income) expense, net" in the Consolidated Statements of Operations and Comprehensive Income (Loss). Net exchange gains were $15 for the year ended December 31, 2021 and net exchange losses were $(35) for the year ended December 31, 2020.

For operations where the local currency is determined to be the functional currency, assets and liabilities are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at a rate that approximates the average exchange rate in effect during the reporting period. The resulting translation adjustments are included in "Accumulated other comprehensive income" in the Consolidated Balance Sheets and in "Foreign currency translation adjustment" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Exchange rates between the currencies noted above and the U.S. dollar have experienced significant volatility during the periods presented and may continue to do so in the future.

Revenue recognition

The Company's key source of revenue is from customer contracts for product sales. A written and binding contract with a customer is determined by the standard agreement ("Supply or Distribution Agreement") as well as the executed purchase order. The performance obligation for all products is fulfilled by the delivery of the ordered products, which are shipped to distributors and product manufacturers ("customers") in accordance with a Supply or Distribution Agreement and the purchase order. Revenues from product sales are primarily on a spot-sales basis. Product is sold to the customer based on a transaction price determined from pricing tables that vary by customer, type, or region. Payment terms vary depending on the requirements within the region, which ranges between 5 days to 120 days.

The Company recognizes revenue from a product sale when or as it satisfies a performance obligation with a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the transferred goods. A performance obligation is satisfied at the point in time when or as the ordered product is delivered and transferred to the customer and the customer obtains and assumes control of such product. The Company measures revenue as the amount of consideration it expects to receive in exchange for providing those goods and services. Except for general product warranty, the Company does not provide any warranties to its customers. The Company's contracts with customers do not include any material rights.

When determining transaction price, the Company considers the effects of sales deductions such as sale incentives or rebates, claims, and discounts. The Company does not offer retroactive discounts, other sales deductions, or refunds to a customer's claim which would require the Company to estimate at contract inception.

- Rebates are offered to certain customers as incentives to drive sales activities. The Company offers two types of rebate programs, namely direct and indirect rebate programs. Direct rebate programs run for approximately twelve months and provide price incentives to direct product customers based on the product and pricing incentives that are agreed to at inception of the contract. Indirect rebate programs are established with end-use garment companies and are designed to provide incentives to incorporate the Company's products into their garment manufacturing. Accruals for customer rebates are estimated using the expected value method based on the agreed terms of the rebate programs, the projected sales targets, and historical trends, and are accounted for as a reduction to gross sales. Rebate claims deducted from gross sales amounts were $9 and $7 for the years ended December 31, 2021 and 2020, respectively.

- Other sales deductions include customer claims and volume discounts. Once a claim is filed by the customer (within 60 days of the sale), the claim is reviewed and approved and an accrual is made as a reduction to "Net sales" with a corresponding credit to "Accrued and other current liabilities." The deduction to "Net sales" arising from discounts amounted to $4 and $1 for the years ended December 31, 2021 and 2020, respectively. Deductions arising from customer claims were $1 and $0 for the years ended December 31, 2021 and 2020, respectively.

Shipping and handling costs

Shipping and handling costs associated with outbound freight are recorded in "Cost of goods sold and other operating expenses" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Advertising costs

Advertising costs of $14 and $10 for the years ended December 31, 2021 and 2020, respectively, were expensed as incurred and are recorded in "Selling, general and administrative expenses" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Research and development

Research and development costs are expensed as incurred and were $28 and $27 for the years ended December 31, 2021 and 2020, respectively.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company is subject to income taxation in many jurisdictions around the world. Unrecognized tax benefits (or tax contingency reserves) reflect the difference between positions taken or expected to be taken on income tax returns and the amounts recognized in the financial statements. Resolution of the related tax positions through negotiations with the relevant tax authorities, litigation, or by the passage of time often takes many years to complete. The timing of resolution on individual tax positions is difficult to predict since such timing is not within the control of the Company. The Company's accounting policy is to record tax benefits only when the benefit is more likely than not of being sustained during an income tax audit and to record a reserve equal to management's best estimate of the amount of the benefit that will be disallowed as a result of an income tax audit. The Company recognizes an estimate of potential interest and penalties related to liabilities for unrecognized tax benefits in the provisions for domestic and foreign income taxes. Our policy is to record interest and penalties, if any, related to uncertain tax positions as a component of general and administrative expenses.

Risks and uncertainties

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable. A concentration of credit risk results from a majority of customers being in the textile industry, but is mitigated by the Company's large number of customers, their geographical dispersion, and the absence of any significant customers. Except in a few instances where the credit risk warrants it, collateral is not required on trade receivables.

As of December 31, 2021, the Company employed approximately 2,700 employees. Of these employees, 49% were represented by labor unions, with 69% of those employees' union contracts expiring within one year.

The Company maintains insurance coverage that management considers appropriate based on analysis of risks specific to the business and the cost of benefits of related insurance coverage. The Company purchases a portfolio of insurance policies that transfers risk above reasonable deductibles to various third-party

Confidential
info@linxcapital.com
2023-05-31 17:54:53 -0100

underwriters. These policies include statutory, contractual, and discretionary liability coverages with most backed by a substantial excess liability umbrella. Property damage and business interruption insurance with retention levels reflecting management and shareholder risk tolerance is purchased for all manufacturing facilities and business support offices.

Recently issued accounting standards

Adopted accounting standards

The Company has adopted the following guidance changes as part of the consolidated financial statements for the year ended December 31, 2021:

On January 1, 2021, the Company adopted ASU No. 2016-02, Leases ("ASC 842"), and all the related amendments (the "new lease standard") using the modified retrospective method. The core principle of ASC 842 is that a lessee should recognize on the balance sheet the lease assets and lease liabilities that arise from all lease contracts with terms greater than 12 months. The comparative prior period information has not been restated and continues to be reported under the accounting standards in effect for those periods. As part of the adoption, The Company elected to utilize the package of practical expedients included in this guidance, which permitted the Company to not reassess (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases, or (3) the accounting for initial direct costs that were previously capitalized. The Company did not elect the hindsight practical expedient to determine the lease term for existing leases at adoption date.

The adoption of ASC 842 was a change in accounting principle which resulted in the recognition of right of use ("ROU") lease assets of $60, with corresponding lease liabilities of $36. The difference of $24 between the opening balance ROU assets and lease liabilities is due to the reclassification of favorable lease intangible assets for three acquired ground leases and one land use rights asset. At adoption, the measurement of the lease liabilities utilized the remaining minimum payments as defined under the previous accounting standard and the IBR as of January 1, 2021. The adoption of ASC 842 did not materially impact the Consolidated Statements of Operations and Comprehensive Income (Loss). Additionally, the adoption of ASC 842 had no material impact on operating, investing and financing cash flows in the Consolidated Statements of Cash Flows. See Note 15 "Leases" for additional disclosure regarding the adoption of this new accounting standard.

In August 2018, the FASB issued ASU 2018-14 "Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715-20)" which amends the current guidance to add, remove, and clarify disclosure requirements related to defined benefit pension and other post-retirement plans. The guidance changes related to disclosures are part of the FASB's disclosure framework project. The guidance is effective for annual reporting periods beginning after December 15, 2021 and early adoption is permitted. The Company has implemented this guidance in its disclosures for the year ended December 31, 2021. The adoption did not have any material impact in the consolidated financial statements and related footnote disclosures.

Accounting standards not yet adopted

The Company is currently evaluating any potential implications of the following proposed guidance changes on its consolidated financial statements and has not yet adopted these standards as of December 31, 2021.

In November 2021, the FASB issued ASU 2021-10 "ASU 2021-10 Government Assistance (Topic 832): Disclosure by Business Entities about Government Assistance" which requires entities to disclose information

Confidential
info@linx-capital.com
2023-05-31 17:54:53 +0100

about certain types of government assistance they receive. This guidance is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the guidance to determine the impact it may have on disclosure in fiscal year 2022.

In November 2021, the FASB issued ASU 2021-09 "Leases (Topic 842): Discount Rate for Lessees that are not Public Business Entities" which allows lessees that are not public business entities to make an accounting policy election by class of underlying asset, rather than on an entity-wide basis, to use a risk-free rate as the discount rate when measuring and classifying leases. This guidance is effective for fiscal years beginning after December 15, 2021, including interim periods therein for lessees that have adopted ASC 842 as of November 11, 2021. Early adoption is permitted. The Company has completed its assessment and concluded not to make this accounting policy election.

In October 2021, the FASB issued ASU 2021-08 "Business Combination (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" which requires entities to apply ASC 606 to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination. This guidance is effective for fiscal years beginning after December 15, 2023, including interim periods therein. The Company will apply this new standard to any business combination transactions after 2023.

In October 2021, the FASB issued ASU 2021-07 "Compensation – Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity" which is a practical expedient that allows nonpublic entities to determine the current price of an underlying share of valuing equity-classified share-based payment awards by using the reasonable application of a reasonable valuation method. The guidance is effective for fiscal years beginning after December 15, 2021, including interim periods therein. The Company has completed its assessment and elected not to adopt this practical expedient.

In March 2021, the FASB issued ASU 2021-03 "Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events" which provides an accounting alternative to reduce the complexity when performing the goodwill triggering event evaluation and allows entities to perform a goodwill triggering event assessment as of the end of the reporting period. The Company has completed its assessment and concluded not to adopt the accounting alternative.

In December 2019, the FASB issued ASU 2019-12 "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" which reduces complexity by removing specific exceptions to general principles related to intraperiod tax allocations, ownership changes in foreign investments, and interim period income tax accounting for year-to-date losses that exceed anticipated losses. The new accounting rules also simplify accounting for franchise taxes that are partially based on income, transactions with a government that result in a step up in the tax basis of goodwill, separate financial statements of legal entities that are not subject to tax, and enacted changes in tax laws in interim periods. The guidance is effective for the Company in fiscal years beginning after December 15, 2021. The Company has evaluated the guidance and determined that adoption of this guidance in 2022 will have no material impact in the consolidated financial statements and related footnote disclosures.

3. Receivables, net

	December 31, 2021	December 31, 2020
Trade accounts receivables	$ 158	$ 127
Receivables, non-trade [(1)]	25	17
Related party receivables [(2)]	3	2
	186	146
Less: allowance for doubtful accounts	(2)	(2)
	$ 184	$ 144

(1) Receivables, non-trade are primarily comprised of cash collateralization of certain surety bonds and VAT receivables, which are presented net with VAT payables in certain jurisdictions.
(2) Refer to Note 14 "Significant customers and related party transactions" for additional detail regarding related party receivables.

4. Inventories, net

	December 31, 2021	December 31, 2020
Raw materials	$ 88	$ 36
Work in process	11	10
Finished goods	128	80
	227	126
Supplies	15	15
	242	141
Reserves	(3)	(5)
	$ 239	$ 136

5. Long-lived assets

Property, plant and equipment, net

	December 31, 2021	December 31, 2020
Land	$ 39	$ 40
Buildings, plants and improvements	103	106
Machinery and equipment	342	338
Furniture, fixtures and other	5	1
Construction in progress	8	5
	497	490
Less: accumulated depreciation	(168)	(112)
	$ 329	$ 378

Depreciation expense was $56 and $58 for the years ended December 31, 2021 and 2020, respectively. The majority of depreciation expense is recorded in "Cost of goods sold and other operating expenses" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

Long-lived asset impairment

During 2020, the Company identified indicators of impairment related to its polyurethane intermediates facility in La Porte, Texas. Indicators, including market over-supply and related pricing pressures, led to evaluation of the La Porte facility for impairment. Undiscounted cash flows expected to result from the use and eventual disposition of the assets were less than the carrying amounts of the assets. As a result, the carrying amounts of the assets are deemed not recoverable.

On June 30, 2020, the Company announced its decision to close its polyurethane intermediates facility in La Porte, Texas by the end of 2020 and exit the supply of chemicals, which are reported as the TERATHANE® product line. As a result of this decision, the Company recorded $9 of long-lived asset impairment to reduce the carrying value of the property, plant, and equipment at this site to $0. The associated asset retirement obligation for exit of the La Porte site increased by $4 and is recorded in "Other liabilities" in the Consolidated Balance Sheets.

During 2021, no impairment indicators were present to recognize that the carrying amount of the long-lived asset might not be recoverable. As a result, the Company did not recognize any impairment for the year ended December 31, 2021.

6. Goodwill and other intangible assets, net

The carrying value of goodwill is shown below:

	Balance at December 31, 2019	Measurement Period Adjustments	Balance at December 31, 2020	Impairment	Balance at December 31, 2021
Goodwill	$ 962	$ (9)	$ 953	$ —	$ 953

Following the strategic business decision to close its polyurethane intermediates facility in La Porte, Texas by the end of 2020 and exit the supply of chemicals sold within the TERATHANE® product line, the Company reassessed its reporting units. As a result, the previous two reporting units with goodwill, Apparel and Personal Care, are now one combined reporting unit, Apparel. The annual goodwill impairment test as of December 31, 2020 resulted in fair values in excess of carrying value, therefore no impairment charge was required.

During the fourth quarter of 2021, the Company performed a qualitative assessment of goodwill and determined that no indicator of impairment existed for the year ended December 31, 2021.

Confidential
info@lix-capital.com
2023-05-31 17:54:33 +0100

The gross carrying value and accumulated amortization in total and by major class of other intangible assets are shown below:

	December 31, 2021			December 31, 2020		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Definite-lived intangible assets						
Developed technology	$ 93	$ (25)	$ 68	$ 93	$ (16)	$ 77
Customer relationships	26	(7)	19	26	(5)	21
Favorable leases[1]	—	—	—	8	—	8
	119	(32)	87	127	(21)	106
Indefinite-lived intangible assets						
Trade name portfolio	390	—	390	390	—	390
	$ 509	$ (32)	$ 477	$ 517	$ (21)	$ 496

(1) With the adoption of ASC 842 Leases in 2021, Favorable leases balances were reclassified to ROU operating lease assets.

The expense charged to operations for amortization of intangible assets was $12 and $12 for the years ended December 31, 2021 and 2020, respectively, and is recorded in "Cost of goods sold and other operating expenses" in the Consolidated Statements of Operations and Comprehensive Income (Loss). The estimated intangible asset amortization expense for each of the next five years is approximately $12.

The remaining weighted-average amortization period for acquired definite-lived intangible assets is 7 years. The amortization period by major asset class is: developed technology (10 years) and customer relationships (10 years).

7. Investments in equity affiliates

The Company owns interests in unconsolidated co-investment entities in Japan, Singapore, Taiwan and Foshan. The entities, Toray Opelontex Co., Ltd.; ISH-Toray Pte. Ltd.; and Shinpont Industry Inc., are 50% owned by the Company. The Company owns more than 50% of the Laika New Material (Foshan) Co. Ltd. ("Laika") entity, however lacks control over the operations and assets, therefore this entity is also accounted for under the equity method. The equity method is used to account for entities that the Company does not control and in which the Company exercises significant influence. Sales to and purchases from entities accounted for using the equity method are reported at a gross amount. For controlled subsidiaries in which ownership is less than 100%, the outside investor's interests are reported as a noncontrolling interest.

The four entities have a combined carrying value of $166 and $134 at December 31, 2021 and 2020, respectively. Refer to Note 14 "Significant customers and related party transactions – Laika Joint Venture" for more information.

Confidential info@linx-capital.com 2023-05-31 17:54:33 +0100

8. Restructuring

Operating expense charges and income are included in "Restructuring (income) expense" in the Consolidated Statements of Operations and Comprehensive Income (Loss), and restructuring balances are included in "Accrued and other current liabilities" in the Consolidated Balance Sheets.

	Contract Obligations	Termination Costs
Balance at December 31, 2020	$ 4	$ 2
Operating (benefit)	(1)	—
Cash payments	(2)	(2)
Balance at December 31, 2021	$ 1	$ —

On June 30, 2020, the Company announced its decision to close its polyurethane intermediates facility in La Porte, Texas by the end of 2020 and exit the supply of chemicals, which are reported as the TERATHANE® product line. The Company's decision followed a strategic review of the business and was based on market over-supply and related pricing pressures, especially on its key output material, PTMEG, and the Company's desire to align resources and capabilities with future growth opportunities within its core LYCRA® fiber brands. These actions included a reduction in the Company's global workforce, resulting in termination costs of $2, asset write-down expenses of $5, and contract obligation recognition of $8 with the termination of raw material take or pay and lease agreements. The associated restructuring accrual for contract obligations and termination costs were $4 and $2, respectively, at December 31, 2020. As a part of steps taken to improve overall business performance by leveraging benefits of its global footprint, aligning resources and capabilities, the decision was made to realign the Waynesboro, VA produced products resulting in an asset write-down of $3.

For the year ended December 31, 2021, the Company recognized a $23 net benefit on the sale of pipeline assets at the La Porte facility and released an associated $13 asset retirement obligation for the facility from "Other liabilities" in the Consolidated Balance Sheets. Additionally, the La Porte facility negotiated a $1 reduction to the site's contract obligations, and a reduction of $2 to the Waynesboro facility restructuring accrual. The associated restructuring accrual for contract obligations and termination costs were $1 and $0, respectively, at December 31, 2021.

Confidential
infoolinx-capital.com
2023-05-24 17:54:23+0100

9. Indebtedness

Current debt

	December 31, 2021	December 31, 2020
Promissory Note [1]	$ —	$ 19
Revolving Credit Facility	50	20
	$ 50	$ 39

(1) Refer to Note 14 "Significant customers and related party transactions" for additional detail regarding related party payables.

In May 2018, the Company entered into a senior cash flow revolver facility agreement, the Revolving Credit Facility ("RCF"), with Barclays Bank PLC and JPMorgan Chase Bank, N.A. which became effective on the January 31, 2019 transaction completion date. The total commitments of the RCF were $100 at December 31,

2021. Borrowings under the RCF bear interest at the matched term LIBOR index plus an applicable margin. The RCF credit agreement contains no financial covenants except for a springing maximum consolidated net leverage ratio of 5.75 to 1.00. The covenant is tested only if 25% or greater of total RCF commitments are utilized at the end of the reporting period. At December 31, 2021, the outstanding cash borrowings on the RCF totaled $50. As of the testing date, the Company's net leverage ratio was in compliance with the financial covenant. As of December 31, 2021, the RCF would have matured in November 2022, but the Company was recently able to negotiate a revision to extend the maturity until February 2023. Refer to Note 17 "Subsequent events" for more information.

Pursuant to terms of the RCF, the Company is required to undertake certain actions to perfect the security interests granted in respect of the collateral securing obligations under the RCF. All such actions have been completed with respect to substantially all of the collateral required to be pledged to secure obligations under the RCF. However, due to certain regulatory requirements and delays, the Company has not finalized the security pledges covering collateral held by certain of our subsidiaries. During fiscal 2019 and continuing into 2021, the facility agent under the RCF notified the Company that it considers these open security issues to be defaults under the RCF. The Company disagrees with the facility agent and maintains that all required security obligations have been progressed in accordance with the standards of performance set forth in the credit agreements. The Company has full utilization of the RCF, however, if the claimed default was pursued successfully, the Company's access to the RCF could be restricted and the lenders could declare all amounts due and payable.

The Company had outstanding bank guarantees, surety bonds, and letters of credit of $10 and $13 at December 31, 2021 and 2020, respectively. The impact of the availability of the RCF were $0 and $1 at December 31, 2021 and 2020, respectively. The bank guarantees, surety bonds, and letters of credit are related to import duties, VAT taxes, insurance policies, and other contracts.

Confidential
info@linkcapital.com
2023-05-31

Long-term debt

Two notes were issued as part of the financing for the Acquisition. These were comprised of $690 aggregate principal amount of 7.5% Senior Secured Notes due 2025 (the "Dollar Notes"), and €250 aggregate principal amount of 5.375% Senior Secured Notes due 2023 (the "Euro Notes" and, together with the Dollar Notes, the "Notes").

	Long-term debt	Deferred financings costs	Long-term debt, net
Balance at December 31, 2019	$ 970	$ (36)	$ 934
Amortization of deferred financing costs		7	7
FX remeasurement on Euro Notes	25	(1)	24
Balance at December 31, 2020	$ 995	$ (30)	$ 965
Amortization of deferred financing costs		8	8
FX remeasurement on Euro Notes	(21)	—	(21)
Balance at December 31, 2021	$ 974	$ (22)	$ 952

Interest payments are due on May 1 and November 1 of each year. At any time, and from time to time, the Notes are redeemable at the Company's option. These redemptions are subject to various premiums depending on the timing of early redemption ranging from 1.344% to 0% above par for the Euro Notes and 5.625% to

0% above par for the Dollar Notes plus accrued and unpaid interest. As of May 1, 2021, all other early redemption rights for the Notes have expired.

The credit agreements for the Notes and the RCF contain provisions around change-in-control events, including that the Notes or the RCF could be called early. The Company received notification from a third party asserting that direct or indirect shareholders of the Company are in default with respect to certain agreements, and such default could lead to a change-in-control event under the Notes and RCF. If such an event occurred, each noteholder would have the right but not a requirement to require the Company to repurchase all or part of the notes at a purchase price equal to 101% of the principal amount of such notes, plus accrued and unpaid interest, and each lender under the RCF would have the right but not the requirement to withdraw from the facility and declare its outstanding participations immediately due and payable. Any such repurchase obligation or acceleration event could adversely impact our business, financial condition, or results of operations.

The Company incurred financing costs of approximately $48 that were directly associated with the debt issuance cost of the Notes and included in the carrying amount of the Notes and amortized over the term of the Notes using the effective interest rate method. Net deferred financing costs are presented as a direct reduction of the Company's long-term debt in the Consolidated Balance Sheets and amount to $22, net of FX remeasurement, at December 31, 2021. The amortization of the financing costs, which was $8 and $7 for the years ended December 31, 2021 and 2020, respectively, is presented in "Interest expense, net" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company has not elected the fair value option of its outstanding debt in the amortized cost shown on the Consolidated Balance Sheets. The fair value of the debt on December 31, 2021 is estimated at $614 and $267 for the Dollar Notes and Euro Notes, respectively, based on active market trading data and is thus determined under Level 1 of the fair value hierarchy.

10. Pension and other post-retirement benefit liabilities

The Company sponsors various pension plans and other post-retirement benefit plans for its international employees. Pension benefits for non-U.S. employees are provided through several funded and unfunded international multiemployer plans with contributions of $1 and $4 for the years ended December 31, 2021 and 2020, respectively.

Other post-retirement benefits

Other post-retirement benefits include certain termination indemnity benefits, retiree medical, disability, and life insurance benefits. Substantially all obligations are determined actuarially using discount rates and salary trends that the Company believes are appropriate in each country. The associated plans are unfunded, and approved claims are paid from Company funds.

Confidential
info@linxcapital.com
2023-05-31 17:54:35 +0100

The following table sets forth the funded status of the defined benefit pension and post-retirement plans:

	Pension benefits Non-U.S. pensions		Other post-retirement benefits		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Change in benefit obligation						
Benefit obligation at beginning of year	$ 30	$ 273	$ 1	$ 3	$ 31	$ 276
Service cost	1	1	—	—	1	1
Interest cost	1	2	—	—	1	2
Plan curtailments/settlements	—	(5)	—	—	—	(5)
Actuarial (gain)	(6)	(7)	—	(2)	(6)	(9)
Benefits paid	(2)	(3)	—	—	(2)	(3)
FX (gain)	(1)	(1)	—	(1)	(1)	(2)
Other [(1)]	—	(230)	—	1	—	(229)
Benefit obligation at end of year	23	30	1	1	24	31
Change in plan assets						
Fair value of plan assets at beginning of year	17	258	—	—	17	258
Actual return on plan assets	1	1	—	—	1	1
Employer contributions	1	4	—	—	1	4
Plan settlements	—	(3)	—	—	—	(3)
Benefits paid	(2)	(3)	—	—	(2)	(3)
FX (gain) loss	(1)	1	—	—	(1)	1
Other [(1)]	—	(241)	—	—	—	(241)
Fair value of plan assets at end of year	16	17	—	—	16	17
Amounts recognized in the Combined Balance Sheets						
Other assets	2	1	—	—	2	1
Accrued and other current liabilities	(1)	(1)	—	—	(1)	(1)
Pension and other postretirement benefit liabilities	(8)	(13)	(1)	(1)	(9)	(14)
Net liability recognized (funded status)	$ (7)	$ (13)	$ (1)	$ (1)	$ (8)	$ (14)
Amounts recognized in Accumulated other comprehensive income						
Actuarial (gain)	(7)	(3)	(1)	(1)	(8)	(4)
Net accumulated other comprehensive (income) recognized	$ (7)	$ (3)	$ (1)	$ (1)	$ (8)	$ (4)

(1) On March 1, 2020, Stichting Pensioenfonds INVISTA, the defined benefit plan sponsored by the Company for employees in the Netherlands, was liquidated. All liabilities and assets of the scheme were transferred through a Dutch regulator-approved collective value transfer (CWO) to an Algemeen Pensioenfonds (APF) operated by Stap Algemeen Pensioenfonds (Stap). In December 2019, the managing board of Stichting Pensioenfonds INVISTA agreed to the CWO for accrued pension benefits and the Company agreed to an administrative contract with Stap for future earned benefits. As a result of the liquidation and CWO, all benefit obligations $(230), plan assets

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

$(241), and actuarial accumulated other comprehensive losses $(6) in relation to the scheme were removed from the balance sheet effective March 1, 2020, resulting in a $17 expense. This scheme was fully funded under Dutch statutory rules and no special payments or additional funding were required to complete the transfer.

	Pension benefits Non-U.S. pensions	
	2021	2020
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligations	$ 24	$ 24
Plan assets	$ 13	$ 13
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligations	$ 20	$ 28
Plan assets	$ 12	$ 14
Accumulated benefit obligation	$ 20	$ 27

Net periodic benefit cost

The components of net periodic pension and other post-retirement benefit expense recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2021 and 2020 are shown in the table below. The service cost component of net periodic benefit cost and the non-service cost component are included in "Other (income) expense, net" and "Pension non-service cost," respectively, in the Consolidated Statements of Operations and Comprehensive Income (Loss).

	Pension benefits		Other post-retirement benefits	
	2021	2020	2021	2020
Net periodic expense (Non-U.S. plans)				
Service cost	$ 1	$ 1	$ —	$ —
Interest cost	1	2	—	—
Expected return on assets	(1)	(1)	—	—
Recognized net losses	—	—	—	—
Cost of special events	—	15	—	—
Total net periodic expense (Non-U.S. plans)	$ 1	$ 17	$ —	$ —

Assumptions

Weighted-average assumptions used to measure the benefit obligation as of the measurement date were as follows:

	Pension benefits Non-U.S. pensions	Other post-retirement benefits	Pension benefits Non-U.S. pensions	Other post-retirement benefits
	2021	2021	2020	2020
Discount rate	0.3% - 9.4%	0.7% - 9.4%	0.4% - 8.0%	0.1% - 8.0%
Rate of compensation increase	2.0% - 5.5%	4.0%	2.0% - 5.5%	4.0%

Confidential
info@linxcapital.com
2023-05-31 17:54:33 +0100

Weighted-average assumptions used to determine the net periodic benefit cost were as follows:

	Pension benefits Non-U.S. pensions 2021	Other post-retirement benefits 2021	Pension benefits Non-U.S. pensions 2020	Other post-retirement benefits 2020
Discount rate	0.4% - 8.0%	0.1% - 8.0%	0.7% - 8.7%	0.4% - 8.7%
Expected return on assets	2.5% - 9.2%	n/a	2.5% - 9.2%	n/a
Rate of compensation increase	2.0% - 5.5%	4.0%	2.0% - 5.0%	3.0%

The expected long-term rates of return on assets are estimated based on many factors including the expected forecast for inflation, risk premiums for each asset class, expected asset allocation, current and future financial market conditions, and diversification and rebalancing strategies. Historical return patterns and correlations and other relevant factors are analyzed to check for reasonableness and appropriateness.

The assumed health care cost trend rates used to determine the accumulated post-retirement benefit obligation are as follows:

	2021(1)	2020
Health care cost trend rate assumed for following year	n/a	11.8%
Rate to which the cost trend rate is assumed to decline (ultimate rate)	n/a	4.8%
Year that the trend rate reaches the ultimate rate	n/a	2033

(1) As of December 31, 2021, contributions to the health care post-retirement plan are expected to exceed the potential benefit obligations. As a result, the benefit obligation of this plan relates solely to life assurance and therefore, the health care cost trend rate assumptions are no longer applicable.

Confidential info@linx-capital.com 2022-05-31 17:54:33 +0100

Plan asset information

The overall investment policy for all defined benefit pension plans is to invest pension plan assets in diversified portfolios consisting of an array of asset classes within the target asset allocation ranges. The investment risk of the assets is limited by appropriate diversification both within and between asset classes.

The target asset allocation of the pension plans has been established based on the expected long-term capital outlook, the expected growth of the plans' liabilities, and the risk adjusted expected return of the various investment alternatives. The assets are managed with a view to ensure that sufficient liquidity will be available to meet expected cash flow requirements and to minimize the present value of future contributions. Asset allocations and investment performance are reviewed by each plan's Investment Committee.

The allocations for the majority of plan assets are strategic targets that fall in range of target allocations dictated by formal investment plans adopted by scheme managers and reviewed by pension regulators and may vary due to current market conditions. Current strategic allocations for the majority of the international plans' assets are 45% fixed income securities, 20% global developed equity, 9% emerging market equity, and 25% cash and cash equivalents, and 1% other.

The fair values of the Company's pension plan assets by asset category for the years ended December 31, 2021 and 2020 are as follows:

	Non-U.S. plan assets							
	December 31, 2021				December 31, 2020			
Asset class	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net Asset Value	Quoted prices in active markets for identical assets (Level 1)	Significant inputs observable (Level 2)	Significant unobservable inputs (Level 3)	Net Asset Value
Cash and cash equivalents [1]	$ 2	$ —	$ —	$ 2	$ 2	$ —	$ —	$ 2
U.S. equity [2]	—	—	—	—	—	—	—	—
Developed international equity [3]	—	—	—	3	—	—	—	3
Emerging market equity [4]	—	—	—	1	—	—	—	1
Fixed income securities [5]	—	—	—	8	—	—	—	9
Opportunities [6]	—	—	—	—	—	—	—	—
Private equity funds [7]	—	—	—	—	—	—	—	—
	$ 2	$ —	$ —	$ 14	$ 2	$ —	$ —	$ 15

(1) Includes cash, repurchase agreements and short-term government issues, and mutual and commingled cash equivalent funds.
(2) Includes U.S. equity holdings and mutual and commingled funds invested in U.S. equities.
(3) Primarily includes mutual and commingled funds invested in equity investments in European Union countries, Japan, Hong Kong, and Australia.
(4) Includes mutual and commingled funds invested in international equities other than in developed countries.
(5) Includes domestic and international corporate and government bonds and mutual and commingled fixed income securities.
(6) Includes tactical investment swaps, alternative investments considered outside the traditional asset classes including options, hedge funds, and financial derivatives, and, if market conditions create opportunities, may include traditional assets classes of stocks, bonds, and cash.
(7) Includes private equity funds that invest primarily in U.S. companies.

Level 1 pension assets are measured at fair value using the market approach or unadjusted quoted prices in an active market for identical assets that the Company has the ability to access at December 31.

Level 2 pension assets are measured at fair value using the income approach or inputs other than quoted prices under Level 1 that are observable for the asset, either directly or indirectly. Level 2 pension assets include indices, yield curves, matrix pricing, and market corroborated pricing to measure their fair values.

Level 3 pension assets are measured at fair value using the cost approach or unobservable inputs for the asset that rely on the Company's own assumptions concerning the assumptions that market participants would use in pricing an asset including assumptions about risk. Level 3 pension assets were measured using investment manager pricing.

NAV pension assets are measured at a net asset value as a practical expedient for fair value, and have been appropriately excluded from the fair value hierarchy. Assets measured at NAV generally can be redeemed within 3-90 days.

During the period, there were no plan assets that were measured using significant unobservable inputs (Level 3).

Confidential
info@linx-capital.com
2023-03-31 17:54:35 +0100

Funding expectations

In 2022, the Company expects to contribute approximately $1 and $0 to pension and other post-retirement benefit plans, respectively.

Benefit payments

Expected future benefit payments over the next 10 years from the Company's pension plans are as follows:

	Pension benefits Non-U.S. pensions	Other post-retirement benefits
2022	$ 3	$ —
2023	2	—
2024	2	—
2025	2	—
2026	2	—
2027-2031	11	—
	$ 22	$ —

confidential
info@lmx-capital.com
2023-05-31 17:54:33 +0100

Defined contribution plans

In addition to the pension and other post-retirement plans, the Company sponsors a defined contribution 401(k) plan for employees primarily in the U.S. in which the Company is a participating employer. Additionally, the Company sponsors defined contribution plans outside the U.S. The Company's expense for these plans was $8 and $6 for the years ended December 31, 2021 and 2020, respectively.

11. Share-based compensation

In 2019, the Company adopted a long-term incentive plan (the "Plan") pursuant to which the Company may grant SAR to key employees to be settled in either cash or shares of the Company. The Company has no history of creating any implicit obligation to pay in cash, nor does it intend to cash settle these awards. The Plan authorizes grants for up to 1,000,000 shares, which are notional interests representing 10% of the total notional interests based on the Company's issued shares. All SAR have ten-year terms from the date of grant.

The SAR vesting terms are either market-based dependent upon the performance of the share price ("Performance-based") or Time-based. The number of Performance-based SAR which shall vest will be computed based on annually compounded internal rate of return targets, computed on the fair market value of the shares. Time-based SAR will vest in annual installments over a period of years as specified in the applicable award agreement, subject to continued employment. The Company determined the fair value of the Performance-based SAR using an independent third-party valuation and the aggregate expense of $8 is recorded over the three-year measurement period on a straight-line basis regardless of vesting, subject to continued employment, if applicable. Also using an independent third-party valuation, the Time-based SAR were valued at $9 in the aggregate, which is expensed over the four-year service period on a graded vesting basis.

Time-based SAR of 90,000 and 99,625 vested during the years ended December 31, 2021 and 2020 respectively.

The assumptions used in valuing the Performance-based and Time-based SAR are as follows:

	Performance-based SAR		Time-based SAR	
Weighted-average fair value on date of grant	$	20.19	$	22.18
Assumptions used to calculate fair value:				
Expected dividend yield		0.00%		0.00%
Expected volatility		40.00%		40.00%
Expected term (years)		2.51		2.51
Risk-free interest rate		1.83%		1.83%

The fair value is determined on the date of grant. Since the Company is not publicly traded, management utilizes equity valuations based on (a) stock market valuations of public companies in comparable businesses, (b) value of the future cash flows that the business will generate, and (c) any other factors deemed relevant. The risk-free rate for periods within the contractual life of the SAR is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatilities are based on implied volatilities from market comparisons of certain publicly traded companies and other factors. The expected term is derived from historical experience and expectations and represents the period of time that SAR granted are expected to be outstanding. The requisite service period is generally three or four years from the date of grant.

Share-based compensation expense amounted to $2 and $5 for the years ended December 31, 2021 and 2020, respectively, and is reflected in "Selling, general and administrative expenses" in the Consolidated Statements of Operations and Comprehensive Income (Loss). The total income tax benefit related to the share-based compensation arrangements was $0 and $1 for the years ended December 31, 2021 and 2020, respectively, and is reflected in "Income tax expense" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

A summary of the status of the Company's Performance-based SAR and Time-based SAR and changes during the year ended December 31, 2021 is presented below:

	Performance-based SAR			Time-based SAR		
	Units	Weighted-average grant date fair value		Units	Weighted-average grant date fair value	
Unvested balance at December 31, 2020	361,500	$	20.19	335,875	$	22.18
Granted	—		—	—		—
Vested	—		—	(90,000)		(22)
Forfeited	(156,750)		(20.19)	(19,188)		(22.18)
Other[(1)]	(1,500)		(20.19)	(45,874)		(22.18)
Unvested balance at December 31, 2021	203,250	$	20.19	180,813	$	22.18

(1) Represents adjustment to 2020 Time-based vesting of 99,625 and reduction in amount recognized as forfeited in prior periods of 53,751 and additional forfeiture of 1,500 to Performance-based SAR from prior period.

Confidential
info@lmx-capital.com
2023-05-31 17:54:53 +0100

At December 31, 2021, there was approximately $0 and $1 of unrecognized non-cash share-based compensation related to Performance-based SAR and Time-based SAR, respectively, that the Company expects to record over the years ending 2022 and 2023.

12. Interest expense, net

	Year ended December 31,	
	2021	**2020**
Interest charges	$ 68	$ 67
Amortization of financing fees[1]	8	7
Interest on revolving credit facility	1	3
Interest on promissory note	—	5
Other interest expense	1	—
Interest (income)	(1)	—
	$ 77	$ 82

(1) Includes amortization of financing fees associated with the Notes and RCF.

13. Income taxes

Current and deferred income tax expense included in "Income tax expense" in the Consolidated Statement of Operations and Comprehensive Income (Loss) for the years ended December 31, 2021 and 2020:

	Year ended December 31,	
	2021	**2020**
Income tax expense (benefit)		
Current		
Netherlands	$ —	$ —
Foreign	30	21
	30	21
Deferred		
Netherlands	—	(4)
Foreign	(3)	4
	(3)	—
	$ 27	$ 21

Income tax expense included in "Other comprehensive loss, net of tax" in the Consolidated Statement of Operations and Comprehensive Income (Loss) for the years ended December 31, 2021 and 2020 was $0.

For 2021 and 2020, the Company's effective tax rate differed from the 25% statutory Netherlands tax rate primarily due to valuation allowances, non-deductible expenses, non-includable book income items, and lower statutory rates in other jurisdictions.

Confidential info@linx-capital.com 2023-05-31 17:54:33 +0100

The tax effects of the temporary differences that give rise to significant portions of the net deferred tax assets at December 31, 2021 and December 31, 2020 are as follows:

	December 31,	
	2021	**2020**
Gross deferred tax assets	$ 255	$ 245
Valuation allowance	(229)	(222)
Deferred tax assets	26	23
Deferred tax liabilities	(66)	(66)
Net deferred tax liabilities	$ (40)	$ (43)

The Company's material items included in the net deferred tax assets and liabilities are related to loss carryforwards/credits, interest deductions, unremitted earnings, property, plant and equipment, and other accrued expenses.

No additional income taxes have been provided for any additional outside basis differences in excess of unremitted earnings, as these amounts continue to be indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any additional outside basis difference in our foreign entities is not practicable at this time.

The group of companies included in the consolidated financial statements operate in multiple tax jurisdictions that are not part of a single consolidated tax return. Therefore, the classification of deferred tax assets and liabilities on the balance sheet are the result of netting by tax jurisdiction.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In 2020, due to the Company's brief operating history and net losses incurred since inception, management did not believe it was more likely than not that the Company would realize its deferred tax assets. As a result, a valuation allowance was provided for the estimated deferred tax assets in the amount of $222 at December 31, 2020. This put the Company in a net deferred tax liability position in the amount of $43 at December 31, 2020. While the Company generated an operating profit in 2021, the Company remains in a cumulative loss position as of December 31, 2021. As such, management does not believe it is more likely than not the Company will realize its deferred tax assets unless offset by reversing a deferred tax liability. The valuation allowance at December 31, 2021 of $229 relates to the deferred tax assets recorded from acquisitions and ongoing operations for which the ultimate realization of the tax asset may be dependent on future income. This results in the Company being in a December 31, 2021 net deferred liability position in the amount of $40.

The Company has net operating loss carry forwards and credits of approximately $22 that expire over the next 10 years and $107 with no expiration.

The Company currently has no interest or penalties accrued related to uncertain tax positions in the income tax liability account. The Company believes fluctuations related to uncertain tax positions occurring within the next twelve months will not have a significant impact on its consolidated financial statements.

Confidential
info@linx-capital.com

The Company's operations are included in multiple tax returns filed in many foreign and state jurisdictions. The Company's 2016 income tax examination in India has been resolved without a material change. The Company is subject to income tax examinations by foreign and state jurisdictions for years 2015 through 2021.

14. Significant customers and related party transactions

Koch Industries Inc. and subsidiaries ("Koch"), Itochu Corporation and subsidiaries ("Itochu"), and 50% equity affiliates Toray Opelontex Co. Ltd., Shinpont Industry, Inc. and Laika are considered related parties.

Significant customers

No customer accounted for greater than 10% of total sales for each of the years ended December 31, 2021 and 2020.

Purchases from related parties

The Company has an agreement to purchase methanol and nylon 6,6 polymer from Koch, spandex fiber from Toray Opelontex Co. Ltd., chemicals from Itochu, and LYCRA® T400® from Shinpont Industry, Inc. The Company also purchases other raw materials and services from Koch. All raw material purchases from related parties are included in "Cost of goods sold and other operating expenses" in the Consolidated Statements of Operations and Comprehensive Income (Loss). Purchases of raw materials and services from related parties were $58 and $53 for the years ended December 31, 2021 and 2020, respectively. Related party payable balances reflected in "Payables" in the Consolidated Balance Sheets are $20 at December 31, 2021 and 2020, and include non-trade payables of $1 and $2 for the Brazilian VAT credits related to pre-Acquisition balances at December 31, 2021 and 2020, respectively.

Sales to related parties

The Company provides goods and services to Toray Opelontex Co. Ltd., and Itochu Corporation subsidiaries and affiliates. All sales activity between the Company and related parties are included in "Sales to related parties" in the Consolidated Statements of Operations and Comprehensive Income (Loss). Sales of finished goods and services to related parties were $23 and $22 for the years ended December 31, 2021 and 2020, respectively. Related party receivable balances reflected in "Receivables, net" in the Consolidated Balance Sheets are $3 and $2 at December 31, 2021 and 2020, respectively.

Confidential
info@linxcapital.com
2023-05-31 17:54:53 +0100

Laika Joint Venture

On August 3, 2021, the Company established a majority-owned joint venture, Laika, with a related party minority partner, Wanzhong, for the purpose of acquiring additional spandex manufacturing capacity from Jining Ruyi High-tech Fiber Material Co., Ltd in China. Laika was initially capitalized with cash contributions of $30 from the Company and $27 from Wanzhong, with a commitment from the Company to make an additional contribution of $20 on or before 2054 which is an outstanding equity commitment as of December 31, 2021. Subsequent to our initial capitalization, the formation documents for Laika were amended to effect capital increase requirements in Laika that would result in approximately $80 additional capital contribution by the Company in the form of contributed property, plant and equipment from our manufacturing facility in Foshan (Subsequent Contribution Requirements). The Subsequent Contribution Requirements have not been made by the Company and are currently subject to an on-going dispute between the Company and our joint venture partner. Due to our inability to control Laika and Laika management's actions to deny the Company with sufficient access to Laika's books and records, the Company has recorded the equity method investment of $30 on the consolidated balance sheet at December 31, 2021 and the Company's share of Laika's net income of $0 based on the best information available to the Company. The amounts recorded and disclosure by the Company could be subject to change as additional information becomes available to the Company and as on-going legal disputes are resolved. Refer to Note 17 "Subsequent events" for more information.

Ruyi Commitment Letters

Eagle Super, as primary obligor, and Jining Ruyi Fibers Co. Ltd. ("Jining Ruyi"), a directly-owned subsidiary of Shandong Ruyi as guarantor, have entered into a commitment letter with Eagle Intermediate Global Holding B.V. and Ruyi U.S. Finance LLC (the "Issuers"), related to the consideration paid and certain fees and expenses incurred by Issuers in connection with the Acquisition. A similar letter was entered into in connection with the Taiwan Acquisition. These provided a commitment to pay or reimburse certain amounts paid by the Issuers.

The recent appointment of receivers over the assets of, and shares held by the majority shareholder of, Ruyi Textile and Fashion International Group Limited which has disenfranchised the Parent and Jining Ruyi from the Company could make payment and/or recovery under these commitment letters unlikely.

Promissory Note

As part of the Acquisition, a side letter to the Acquisition Agreement allowed for payment to INVISTA under a Promissory Note for the purpose of satisfying a working capital closing adjustment. At December 31, 2020, the outstanding balance of principal and accrued interest was $19. The full amount was settled on January 8, 2021, as reflected in Note 9 "Indebtedness - Current debt."

Confidential
info@lynx-capital.com
2023-05-31 17:54:35 +0100

15. Leases

The components of lease cost for the year ended December 31, 2021 were as follows:

	Year ended December 31, 2021	
Operating lease cost [(1)]	$	7
Finance lease cost		—
Short-term lease cost		—
Variable lease cost		1
Total	$	8

(1) Rent expense on operating leases as of December 31, 2020 was $9.

Operating and finance lease liabilities cash flow information for the year ended December 31, 2021 is as follows:

	Year ended December 31, 2021	
Cash paid for amounts included in the measurement of finance lease liabilities	$	—
Finance lease liabilities arising from obtaining ROU assets	$	—
Cash paid for amounts included in the measurement of operating lease liabilities	$	7
Operating lease liabilities arising from obtaining ROU assets [(1)]	$	36

(1) Represents amount initially capitalized in conjunction with the adoption of ASC 842.

Supplemental balance sheet information related to leases as of the year ended December 31, 2021 is as follows:

	December 31, 2021
Weighted average remaining lease term	17 years
Weighted average discount rate	3.36%

As of December 31, 2021, future maturities of lease liabilities are as follows:

	December 31, 2021	
2022	$	6
2023		5
2024		3
2025		3
2026		3
Thereafter		25
Total lease payments		45
Less: imputed interest		(9)
Total lease liabilities		36
Less: current obligations		(5)
Long-term lease obligations	$	31

Confidential
info@linx-capital.com
2023-05-31 17:54:33 +0100

As of December 31, 2020, future minimum leases commitments related to long-term operating leases were as follows:

	December 31, 2021	
2021	$	6
2022		4
2023		3
2024		2
2025		2

The Company has one lease as of December 31, 2021, that has not yet commenced but will create significant rights and obligations which are expected to begin in March 2023. The construction of the asset will be located in Singapore and is the responsibility of an unaffiliated third party ("project company"). Upon completion of the construction, the Company will make annual payments of $1 to the project company for seven years.

The Company is also a lessor of various buildings which are deemed to be operating leases. The Company recognized income of $1 from these operating leases for each of the years ended December 31, 2021 and 2020.

16. Obligations and contingent liabilities

Future minimum purchase obligations are as follows:

Maturity period	Purchase obligations	
2022	$	28
2023		3
2024		1
2025		1
2026		—

(1) Includes $20 for Laika joint venture. Refer to Note 14 "Significant customers and related party transactions" for additional detail.

17. Subsequent events

The Company has completed an evaluation of all subsequent events through May 27, 2022, the date its audited consolidated financial statements were available to be issued, and concluded that no subsequent events occurred that required recognition other than those described below.

On February 21, 2022, the Company received notice that an investor group who made loans to one of our shareholders, Ruyi Textile and Fashion International Group Limited ("Ruyi Textile"), forming a Mezzanine Credit Facility for Ruyi Textile, on which Ruyi Textile defaulted. Mr. Edward Simon Middleton and Ms. Wing Sze Tiffany Wong of Alvarez and Marsal Asia Limited ("A&M") were appointed by the investor group as joint and several receivers and managers over Ruyi Textile's assets and over the shares of Ruyi Textile owned by its majority shareholder (the "Enforcement Action"). The Company has been notified of the participation in the Enforcement Action by holders of a majority of the aggregate principal amount of the Notes outstanding.

Confidential
info@lmx-capital.com
2023-05-31 17:54:33 +0100

The Company has been notified that in connection with the foregoing, waiver letters have been delivered to the Trustee by a majority of the aggregate principal amount of the Notes outstanding, waiving any change in control repurchase obligations and certain potential cross-defaults related to the Indenture in respect of such events

On March 3, 2022, the Company announced certain changes at the Boards of The LYCRA Company Global Holdings B.V. and Eagle Intermediate Global Holding B.V. (the "LYCRA Companies"). Each of the LYCRA Companies has appointed Edward Simon Middleton and Arjan Breure, as directors of the LYCRA Companies. These changes were made as a result of the appointment of A&M as receivers over the assets of Ruyi Textile as referred to above. Additional changes of boards of directors (or equivalent) within certain subsidiaries were completed substantially contemporaneously or shortly thereafter.

In connection with certain previously reported enforcement proceedings commenced by certain creditors of certain shareholding entities of the Company in February 2022 (the "Enforcement Proceedings"), a change of control occurred under and for the purposes of the RCF which gave each of Barclays Bank PLC and JPMorgan Chase Bank, N.A. (the "RCF Lenders") the right, but not the obligation, to cancel the RCF as to their commitments. Pursuant to an amendment agreement dated March 23, 2022, the RCF Lenders agreed to amend the RCF to extend the period of time allowed for the RCF Lenders to consider whether to exercise their cancellation rights under the RCF.

On April 25, 2022, the Company and RCF Lenders reached an agreement to permit the continued availability of the facility. The RCF has been amended by a further amendment and waiver agreement which provides for, among others things: (i) a revision to the maturity date of the RCF until February 1, 2023 ("Maturity Date"); (ii) amendment of the mandatory prepayment provisions to carve the Enforcement Proceedings out of the existing change of control regime; (iii) amendment of the financial covenant, and related testing and reporting provisions to replace the springing consolidated net leverage ratio covenant with a minimum liquidity covenant tested on a monthly basis; and (iv) certain amendments and waivers with respect to certain actions in connection with the Enforcement Proceedings. The amendment and waiver agreement does not modify the interest rate under the RCF and contains other customary terms and conditions.

In connection with the Enforcement Action and Enforcement Proceedings, the Company is engaged in various legal actions, including challenges to the appointment of the receivers and actions by the Company to resolve disputes over the Laika joint venture and related commitments.

Also resulting from the Enforcement Proceedings is an increase of $15 to the 7.50% Dollar Notes due in May 2025, which is anticipated to take effect in June 2022, and the payment of additional legal and other fees, estimated to be $17, by the end of 2022. In addition, a non-interest bearing obligation of $19 is anticipated to be entered into in June 2022, the payment of which will be contingent on the occurrence of either (i) an "exit" (as defined in the relevant instrument), (ii) a refinancing or repayment of the 7.50% Dollar Notes, (iii) an insolvency event (as defined in the relevant instrument) or (iv) May 1, 2025.

Additionally, in response to the military conflict between Russia and Ukraine, the United States, the European Union, and other North Atlantic Treaty Organization member states, as well as non-member states, have announced targeted economic sanctions on Russia, certain Russian citizens and enterprises. The continuation of the conflict may trigger a series of additional economic and other sanctions enacted by the United States, the European Union, and other North Atlantic Treaty Organization member states, and other countries. The potential impact of bans, sanction programs, and boycotts on our business is uncertain at the current time due

to the fluid nature of the military conflict as it is unfolding. The potential impacts include supply chain and logistics disruptions, financial impacts including disruptions to the execution of customer payment transactions with certain Russian institutions, volatility in foreign exchange rates and interest rates, inflationary pressures on raw materials and energy, heightened cybersecurity threats and other restrictions. The Company does not have any direct exposures that would be material to the consolidated financial statements.

In addition, the COVID-19 pandemic has resulted in, and could continue to result in, industry-wide global supply chain challenges, including manufacturing, transportation and logistics. We purchase certain products and key components from a limited number of sources, and depend on the supply chain, including freight, to receive components, transport finished goods and deliver our products across the world. While we proactively manage our supply chain, we expect to continue to be impacted by higher logistics and component costs, prolonged delays, and challenges with component availability. Most recently, Shanghai, China, began a lockdown in late March 2022 due to another outbreak of COVID-19, resulting in a lockdown of the city, closures of ports and airports, and disruption of commercial activities, further constraining our supply chain. If the Shanghai lockdown is extended to other places where our suppliers and partners are located, such measures, depending on their duration, could cause additional negative impact on our business and results of operations.

We currently expect that the COVID-19 outbreak will continue to impact our financial performance further into 2022, particularly as it pertains to the recent resurgence of COVID-19 in China. We are unable to predict the ultimate impact of any such resurgence or the re-imposition or continuation of restrictive measures designed to combat the COVID-19 pandemic by national, regional, and local governments.

Confidential
info@linx-capital.com
2023-05-31 17:54:53 +0100