ANNUAL REPORT

For the year ended December 31, 2023

(Amounts in millions of U.S. dollars, except as noted)

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: March 28, 2024

Table of Contents

The LYCRA Company
Certain References

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 A&AT and Arteva, 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.

- "A&M" means Alvarez and Marsal Asia Limited, appointed by the Investor Group to be joint and several receivers and managers over the assets and shares of Ruyi Textile and Fashion International Group Limited ("Ruyi Textile") in the Enforcement Action.

- "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 A&AT and Arteva. Acquisition closed on January 31, 2019.

- "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 A&AT and Arteva, as amended and/or restated from time to time, including on March 28, 2018, December 21, 2018, January 31, 2019, and April 26, 2019.

- "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.

- "Company" means The LYCRA Company.

- "COVID-19" means the novel strain of coronavirus characterized by the World Health Organization in March 2020 as a pandemic.

- "Dollar Notes" mean $704,584,000 aggregate principal amount of 7.500% Senior Secured Notes due 2025 including the additional $14,584,000 aggregate principal amount of 7.500% Senior Secured Notes due 2025 issued on June 8, 2022.

- "Dollar Notes Indenture" means the indenture dated May 4, 2018, by and among the Dollar Notes Issuers, Parent, the other guarantors party thereto, 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.

- "Dollar Notes Issuers" means the Dutch Co-Issuer and the U.S. Co-Issuer.

- "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.

The LYCRA Company

Certain References

- "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.

- "Enforcement Action" or "Enforcement Proceedings" means the action taken by an Investor Group who made loans to one of our former shareholders, forming a Mezzanine Credit Facility for Ruyi Textile, on which Ruyi Textile defaulted. On February 21, 2022, the Investor Group appointed A&M as joint and several receivers and managers over Ruyi Textile's assets and over the shares of Ruyi Textile previously owned by its majority shareholder. Concurrently, the Company was notified of the participation in the Enforcement Action by holders of a majority of the aggregate principal amount of Notes outstanding. As of June 28, 2022, the Enforcement Action concluded with the Investor Group gaining full equity control of the Parent.

- "Euro Notes" mean €250,000,000 aggregate principal amount of 5.375% Senior Secured Notes due 2023, which were repaid in full on May 2, 2023.

- "GAAP" refers to generally accepted accounting principles in the United States of America.

- "Guarantors" refers to the restricted 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 Indentures, and each a "Guarantor."

- "Indentures" refers to the Dollar Notes Indenture and the Refinancing Notes Indenture, collectively.

- "Investor Group" means a group of financial institutions comprised of Lindeman Asia, Lindeman Partners Asset Management, Tor Investment Management, and China Everbright Limited who made loans to one of our former shareholders, Ruyi Textile.

- "INVISTA" refers, collectively, to KoSa Foreign Investments S.à r.l., INVISTA S.à r.l. and INVISTA Equities, LLC.

- "Issuers" refers to the Dollar Notes Issuers and the Refinancing Notes Issuer.

- "Jining Ruyi" means Jining Ruyi Fibers Co. Ltd., a direct subsidiary of Ruyi.

- "La Porte" refers to the 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 minority-owned joint venture.

- "Linx Capital Limited" means Linx Capital Limited, a private limited company incorporated under the laws of Jersey, Channel Islands with registered number 148332.

- "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 unrestricted.

The LYCRA Company
Certain References

- "Notes" refers to the Dollar Notes and the Refinancing Notes, collectively.

- "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.

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

- "Refinancing Notes" means the €300,161,202 initial aggregate principal amount of 16.000% secured notes due April 2025 at an aggregate purchase price of €240,128,962 with an original issue discount of €60,032,240, issued pursuant to the Refinancing Notes Indenture.

- "Refinancing Notes Indenture" means the indenture dated April 25, 2023, as amended August 25, 2023, by and among the Refinancing Notes Issuer, Parent, Dutch Co-Issuer, U.S. Co-Issuer, the other guarantors party thereto, Kroll Trustee Services Limited, as trustee, Elavon Financial Services DAC, UK Branch, as initial paying agent and authenticating agent, and Elavon Financial Services DAC, as registrar and transfer agent, as amended and/or supplemented from time to time.

- "Refinancing Notes Issuer" means Eagle UK Finance Limited, a private limited company incorporated under the laws of Jersey, Channel Islands with registered number 148301.

- "Revolving Credit Facility" or "RCF" means the $100,000,000 super senior revolving credit facility provided for in the Revolving Credit Facility Agreement, which has been repaid in full as of March 1, 2023.

- "Revolving Credit Facility Agreement" means the Revolving Credit Facility Agreement governing the $100,000,000 super senior revolving credit facility, dated May 4, 2018, as amended, 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.

- "Shareholder Loan" means the senior secured term loan originally entered into on October 18, 2022 (as most recently amended and restated on August 25, 2023), by among others, the Dutch Co-Issuer, as borrower, and the U.S. Co-Issuer, as a guarantor, with certain shareholders as lenders (as further amended, restated, supplemented, modified and/or replaced from time to time).

- "ssTL" means the $139,043,948 initial aggregate principal amount of super senior term loan facility with an original issue discount of $8,227,974.

- "ssTL Facility Agreement" means the super senior term loan facility agreement which was originally entered on March 1, 2023 (as most recently amended and restated on August 25, 2023), upon full repayment of the RCF, between, among others, Dutch Co-Issuer, certain lenders and Kroll Agency

Services Limited, as agent (as further amended, amended and restated, supplemented, modified and/or replaced from time to time). The agreement has a maturity date of February 1, 2025.

- "U.S. Buyer" means Eagle US Acquisition Corp (f/k/a Ruyi US Acquisition Corp.), a Delaware corporation.

- "U.S. Co-Issuer" means Eagle US Finance LLC (f/k/a 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. With the completion of the Enforcement Action and subsequent change of ownership effective June 28, 2022, Wanzhong is no longer considered a related party.

The LYCRA Company

Forward-Looking Statements

(Amounts in millions of U.S. dollars, except as noted)

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.

The LYCRA Company
Use of Non-GAAP Financial Measures
(Amounts in millions of U.S. dollars, except as noted)

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 Indentures governing the Notes or the ssTL, which will be used for purposes of certain covenants under the Indentures governing the Notes and the ssTL.

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, except as noted)

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, and results of operations. If any of the possible events described below were to occur, our business, financial condition, and results of operations could be materially and adversely affected.

Summary of risk factors

The following list is a summary of the principal risks that could adversely affect our business, financial condition, and results of operations.

- Difficult and volatile conditions in the overall economy and in the capital, credit and commodities markets.
- Volatility in the cost of our raw materials and energy, or a disruption in the supply of raw materials.
- Elevated interest rates and persistent inflation.
- Disruptions in our supply chain.
- Our substantial and expanding international operations are subject to uncertainties.
- We are subject to risks associated with seasonality and building working capital for planned downtimes.
- 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.
- We may not be able to obtain debt to fund our operations and contractual commitments on favorable terms, or in sufficient amounts.
- Among other risks, our international operations subject us to currency exchange and import-export risks, which may adversely affect our sales and 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.
- Failure to maintain the reputation of our brands could negatively impact our competitive position.
- Our operations and assets are subject to extensive environmental, health and safety and sustainability laws and regulations.
- Future or current litigation.
- Risks related to our indebtedness and liquidity and capital resources.

The LYCRA Company

Risk Factors

(Amounts in millions of U.S. dollars, except as noted)

Risks related to our business

Difficult and volatile conditions in the overall economy and in the capital, credit and commodities markets could adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations could be adversely affected by difficult global economic conditions and significant volatility in the capital, credit and commodities markets and in the overall economy. Adverse events affecting the health of the economy, including inflationary pressures, rising interest rates, supply chain issues, labor market shortages, trade conflicts including export and import restrictions, tariffs, and other trade barriers, pandemics or endemics such as the COVID-19 pandemic, the threat of war or regional conflict, including the conflict between Russia and Ukraine in Eastern Europe and between Israel and Hamas in the Middle East, tensions between China and Taiwan, sovereign debt and economic crises, terrorism, and protectionism could have a negative impact on the health of the global economy. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions or on the stability of global financial markets which may affect us and our customers. For example:

- Weak economic conditions, especially in our key markets, could reduce demand for our products, impacting our sales and margins;
- As a result of volatility in commodity prices, we may encounter difficulty in achieving sustained market acceptance of past or future price increases;
- Under difficult market conditions, there can be no assurance that access to credit or the capital markets would be available or sufficient, and as such, we may not be able to successfully obtain additional financing on reasonable terms, or at all;
- Market conditions and credit availability could adversely affect the financial situation of raw material suppliers and their ability to deliver key materials, thus impacting our ability to run our production facilities at the intended rates;
- Market conditions could result in our key customers experiencing financial difficulties and/or electing to limit spending, which in turn could cause fluctuations in demand for our products, product prices, volumes, and margins, potentially resulting in decreased sales and earnings; and
- Uncertainty due to logistical and availability concerns for products could result in customers stockpiling inventory which in turn could cause fluctuations in demand for our products.

We are unable to predict the duration of economic conditions or their effects on financial markets or our business and results of operations. Economic volatility and uncertainty surrounding future economic conditions may at times make it challenging to identify risk that may affect our business, sources and uses of cash, financial conditions, and results of operations. If economic conditions deteriorate, our results of operations, financial condition, and cash flows could be materially adversely affected.

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, and results of operations.

Raw material and energy costs represent significant components of our operating costs. Our results of operations can be directly impacted positively or negatively by fluctuations 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, and results of operations.

We have increased our number of suppliers over the past decade, but we still depend upon a few 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 on 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. Production problems, an act of God, a severe weather event, 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, and results of operations.

Additionally, 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, and 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, and/or loss of sales.

Inflation has adversely affected and may continue to adversely affect our business, results of operations and financial condition.

Recent inflationary pressures have increased the costs of labor, energy and raw materials, and have adversely affected consumer spending, economic growth and our operations. 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, and results of operations. Global central banks responded to high inflation in 2023 by increasing interest rates, adding to the burden of rising costs for consumers and businesses. The Federal Reserve has indicated its intent to cut certain benchmark interest rates during 2024 due to the downward trajectory of inflation. However, continued periods of high inflation beyond 2023 may have an impact on consumer spending capabilities and patterns affecting our sales volumes and margins.

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.

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, and results of operations.

We manufacture products directly and through joint ventures in eight countries and have sales in more than 80 countries throughout 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 the Treasury, U.S. Department of State, 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;
- 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 in 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;

- regional conflicts such as the conflict between Russia and Ukraine in Eastern Europe and between Israel and Hamas in the Middle East and growing tensions between China and Taiwan;
- disruptions in the supply chain and 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, and results of operations.

Our business 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, and 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.

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, and results of operations.

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, and 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.

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, and results of operations.

Any future or current litigation could have a material adverse impact on our results of operations, financial condition and liquidity.

From time to time, we may be subject to litigation, including, among others, our ongoing litigation with Ruyi and other individuals on various claims associated with our joint venture, Laika. Risks associated with legal liability are difficult to assess and quantify, and their existence and magnitude can remain unknown for significant periods of time. Such lawsuits, and any related publicity, may result in substantial costs and, among other things, divert the attention of management and our employees. An unfavorable outcome in any claim or proceeding against us could have a material adverse impact on our financial position and results of operations for the period in which the unfavorable outcome occurs, and potentially in future periods. Further, any settlement announced by us may expose us to further claims against us by third parties seeking monetary or other damages which, even if unsuccessful, would divert management attention from the business and cause us to incur costs, possibly material, to defend such matters, which could have a material adverse impact on our financial position.

We are subject to risks associated with seasonality and building working capital for planned downtimes, which could adversely affect our business, financial condition, and 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 the availability of short-term borrowing, 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, and 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, and 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, including those related to climate change, such as hurricanes, typhoons, and floods, or other hazards associated with our production processes.

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, and 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, and results of operations. Additionally, long-term production disruptions may cause our customers to seek alternative supply, which could further adversely affect our profitability.

Our operations 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, and results of operations.

Additionally, the outbreak of COVID-19 in 2020 in many parts of the PRC had an adverse impact on our business through 2023 as a result of prolonged government imposed COVID-19 restrictions and slow post-COVID-19 recovery in the country.

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 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, and results of operations.

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, and results of operations.

No single customer or distributor represented more than 10% of total sales for the year ended December 31, 2023. 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, and results of operations.

We depend upon our information technology systems, which may be subject to interruption, cyberattacks or failure.

Our business operations could be disrupted if our information technology systems fail to perform adequately or if they are disrupted by a cyberattack. 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, and 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, cyberattacks, and viruses. Any damage or interruption in the future could have a material adverse effect on our business, financial condition, and results of operations.

The Company has an Information Security Steering Committee (ISSC) to support its on-going commitment to protect information assets and technology systems. The ISSC provides advice and assistance for the prioritization of all significant information/cyber-security initiatives, projects, and policies for stakeholders of the Company. The responsibilities of the ISSC include, but are not limited to, reviewing the current state of readiness to address all information/cyber-security incidents and related activity; identifying and reviewing significant security threats and vulnerabilities to the Company; and reviewing any significant incidents and advising executive leadership on the recommended actions and follow up activities.

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 substances could adversely affect our business, financial condition, and 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 administrative, 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 release of hazardous materials or other environmental, health or safety incident at any of our facilities could have a material adverse effect on our business, financial condition, and 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 the United States. 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, the Emergency Planning and Community Right-to-Know Act, and analogous state statutes require 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. From time to time, we receive and investigate complaints concerning potential violations of OSHA and other comparable state statutes at our facilities.

Our business 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, and 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, and results of operations.

We are exposed to the risk of rising labor costs.

As of December 31, 2023, we employed approximately 2,500 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, and results of operations.

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

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 period of 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.

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

As of December 31, 2023, approximately 49% of our global workforce was represented by labor unions, with 60% 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.

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 a 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. 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, and results of operations.

We face risks related to our dependence on certain external vendors for our operations.

We rely on certain external vendors to provide products and services necessary to maintain our day-to-day operations at certain of our locations. The failure of certain external vendors to perform in accordance with the contractual arrangements under service legal agreements or agreed purchase orders because of changes in the vendor's organizational structure, lack of vendor's raw material, force majeure at the vendor's premise, financial condition, support for existing products and services or for any other reason, could have a material adverse effect on our business, our financial condition, and results of operation. Certain 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, and results of operations.

Replacing these external vendors or having additional back-up systems to mitigate those risks, where possible, could entail significant delay and expense. If we are unable to renew our contracts with our existing vendors or are only able to renew on terms less favorable to us, 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, and results of operations.

Our business may be adversely affected by the effects of health pandemics or endemics.

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. The COVID-19 pandemic resulted in prolonged industry-wide global supply chain challenges, including manufacturing, transportation and logistics. 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. While the COVID-19 pandemic has largely been resolved a public health emergency in the future could have a material adverse effect on our ability to operate, our results of operations, financial condition, and demand for our products.

Financial and strategic risks

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, and 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.

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, and results of operations.

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, and results of operations.

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, 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, and 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.

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, and 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, and 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.

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/or 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, and results of operations.

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 does not observe its 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, and results of operations.

The Company is engaged in the PRC with Ruyi and affiliated entities and individuals on various claims associated with its co-investment in the Laika joint venture. Certain claims have been filed by the Company and its related parties and other claims have been filed by Ruyi related parties.

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.

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, and results of operations could result.

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

The government of the PRC continue to play a significant role in regulating industry development by imposing sector-specific policies, and it maintains control over China's economic growth through setting monetary policy and determining treatment of particular industries or companies. The PRC government specifically 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 owed by it to entities outside the PRC in a currency other than the CNY 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.

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. The rating could be lowered or raised 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.

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.

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

To the extent that we undertake future acquisitions, our balances of goodwill and intangible assets 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, and results of operations.

Legal, tax, compliance and reputational risks related to our business

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®, 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 our 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 registration. If any such application does not result in an issued patent or trademark registration, 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, and 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, and 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, and 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, and 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 or 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, we could be subject to claims of infringement 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 and distracting 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, and 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. 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.

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 all 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 laws or recognized ethical standards. In the ordinary course of business, we are, and our raw material suppliers may be, the subject of various claims and legal proceedings and may become the subject of claims, litigation or investigations, including commercial disputes and employee claims, such as claims of age discrimination, sexual harassment, gender discrimination, immigration violations or other local, state and federal labor law violations, and from time to time may be involved in governmental or regulatory investigations or similar matters arising out of our current or future business. Any claims asserted against us or our management, regardless of merit or eventual outcome, could harm our reputation and have an adverse impact on our relationships with our clients, raw material suppliers and other third parties and could lead to additional related claims. In light of the potential cost and uncertainty involved in litigation, we have in the past and may in the future settle matters even when we believe we have a meritorious defense. Certain claims may seek injunctive relief, which could disrupt the ordinary conduct of our business and operations or increase our costs of doing business. Our insurance or indemnities may not cover all claims that may be asserted against us. Furthermore, there is no guarantee that we will be successful in defending pending or future litigation or similar matters under various laws. Any judgments or settlements in any pending or future claims, litigation or investigations could have a material adverse effect on our business, financial condition, and results of operations.

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, and results of operations.

Negative publicity regarding our company or actual, alleged, or perceived issues regarding one of our products or services could harm our relationship with customers and impact our financial results.

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 and impact our financial results. Failure to protect the reputation of our brand may adversely impact our credibility and our business and results of operations. 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 result in violations of law by us, regulatory sanctions, litigations or serious reputational or financial harm and 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 and presentation of our online and brick-and-mortar points of sale, our social media and content distribution activities, public relations and marketing, and our general corporate and market profile, which can be adversely affected for reasons within and outside of our control. For example, our products can be actively or mistakenly presented in a specific context not related to our brand (e.g., ethically, religiously, politically); we could experience customer dissatisfaction through our customer service; we could have issues with our suppliers, such as quality control problems, which could affect the quality of our products or our reputation; and we could be the subject of negative publicity, including inaccurate adverse information. Product 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, and 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.

Our operations and assets are subject to extensive environmental, health and safety and sustainability 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 and sustainability laws and regulations in the jurisdictions in which we operate and are routinely 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 the 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 administrative, 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, our predecessors, 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 federal, state, or foreign 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, 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 new laws or regulations or reinterpretations of existing laws or regulations. For example, environmental advocacy groups and regulatory agencies in the United States, including the U.S. Environmental Protection Agency (the "EPA"), and other countries in which our operations are conducted have been focusing considerable attention on the emissions of greenhouse gases ("GHGs") and climate change. In October 2009, the EPA published a rule (40 CRF Part 98) for the mandatory reporting of GHGs from sources related to 41 industrial categories. Facilities and vendors are generally required to submit annual reports under Part 98 if: (i) GHG emissions from covered sources exceed 25,000 metric tons of carbon dioxide equivalent ("CO2e") per year; (ii) supply of certain products would result in over 25,000 metric tons CO2e of GHG emissions if those products were released, combusted, or oxidized; or (iii) the facility receives 25,000 metric tons or more of CO2e for underground injection.

The collection of this emissions data continues to guide development of policies and programs to reduce emission of GHGs in the United States. In November 2023, the Office of Management and Budget, the White House Office of Science and Technology Policy, and the White House Office of Domestic Climate Policy announced the release of the National Strategy to Advance an Integrated U.S. Greenhouse Gas Measurement, Monitoring, and Information System, aiming to enhance coordination and integration of GHG measurement, monitoring, and information efforts across the federal government and ensure that the federal government is improving the ability to quantify GHG reduction strategies across all sectors.

At the international level, the United Nations sponsored "Paris Agreement" requires member states to submit non-binding, individually determined reduction goals known as Nationally Determined Contributions every five years after 2020. Although the United States had withdrawn from the Paris Agreement, President Biden recommitted the United States to the agreement by executive order and, in April 2021, established a goal of reducing economy-wide net GHG emissions 50-52% below 2005 levels by 2030.

In 2023, the 28th session of the Conference of the Parties ("COP28") to the UN Framework Convention on Climate Change ("UNFCCC") took place in Dubai and culminated in the first "global stocktake" of the Paris Agreement. At the occasion, the countries emphasized the urgent need to accelerate the implementation of domestic measures to mitigate climate change, including as tripling renewable energy capacity and doubling energy efficiency by 2030, transitioning away from fossil fuels in energy systems. The full impact of these actions, and any legislation or regulation promulgated to fulfill the commitments thereunder, is uncertain at this time, and it is unclear what additional initiatives may be adopted or implemented that may adversely affect us and our operations. The adoption of laws and regulations to reduce emissions of GHGs, including the imposition of fees or taxes, could adversely affect our business, financial condition, and results of operations. Additionally, various foreign, state, and local governments have publicly committed to furthering the goals of the Paris Agreement, and certain of the jurisdictions in which we operate are contemplating air pollution control regulations that are more stringent than existing and proposed regulations. The European Commission has established a number of sustainability-related reporting and compliance regimes, including the Corporate Sustainability Reporting Directive which will expand the scope and reporting requirements under the Non-Financial Reporting Directive and require in-scope companies to make sustainability reports in accordance with the European Sustainability Reporting Standards (ESRS). The ESRS include certain mandatory disclosures and other voluntary disclosures on impacts, risks, and opportunities in relation to sustainability matters identified as material by the relevant entity. In addition to assessing the financial effects of a sustainability matter on a company, materiality assessments will require the relevant company to take into account non-financial considerations as to the materiality of a sustainability matter from an impact perspective when it pertains to the undertaking's actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term. Impacts may include those connected with the company's own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships. These disclosure obligations may lead to increased compliance burdens and costs. Additionally, such obligations could lead to the disclosure of information which may have a negative impact on our operations and reputation, and which may lead to additional exposure. Failure to accurately comply with such reporting obligations may also result in enforcement actions, sanctions, reputational harm or private litigation. Furthermore, the EU have introduced proposals for new regulatory regimes that are aimed at, for example, prohibiting corporates from placing or making available on the EU market or exporting from the EU market products made with forced labor; requiring companies to identify, prevent, bring to an end, mitigate and account for adverse human rights and environmental impacts in operations, subsidiaries and value chains; and enhancing gender pay reporting requirements. Our EU-based business, as well as any global product sales into the EU, may bring us in scope of these requirements. Furthermore, many state and local leaders have intensified or stated their intent to intensify efforts to support international climate commitments and treaties, in addition to considering or enacting laws requiring the disclosure of climate-related information and developing programs that are aimed at reducing greenhouse gas emissions by means of cap-and-trade programs, carbon taxes or encouraging the use of renewable energy or alternative low-carbon fuels. Changing environmental and climate disclosure 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. Thus, at the U.S. federal, state and international levels, in the future, laws, regulations, other policies, and initiatives may have substantial and adverse effects on the Company's activities and results.

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, Syria, North Korea, Venezuela, Russia, Belarus, and the Crimea, the so-called "Donetsk People's Republic," and the so-called "Luhansk People's Republic" Regions 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 reasonably designed to ensure compliance 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 and other applicable 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, and results of operations. Moreover, investigations of alleged violations can be expensive and disruptive.

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

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, and 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"). The Dutch National Institute for Public Health and the Environment submitted its proposal to restrict DMAc under REACH in April 2022, and the European Chemicals Agency issued its final opinion in support of the proposal in June 2023. Furthermore, the EU and the United Kingdom (pursuant to its current incorporation of REACH in domestic legislation) have imposed more stringent worker protections with respect to DMAc through stringent Derived No Effect Levels ("DNELs"). Depending on the ultimate agreed DNEL value, our sites in Kerkrade (NL) and Maydown (U.K.) 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.

Certain laws and regulations regarding composition disclosure, such as the "Substance of Concern in Products" ("SCIP") database under the Waste Framework Directive in the EU and/or United Kingdom, 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 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 preferences 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, and results of operations.

Increasing scrutiny and changing expectations from stakeholders with respect to our sustainability practices may impose additional costs on us or expose us to new or additional risks.

Companies across all industries and around the globe are facing increasing scrutiny relating to their sustainability practices. Investors, shareholders, customers, other stakeholder groups and other market participants are increasingly focused on sustainability practices, including with respect to climate change, human rights and diversity, equity and inclusion, and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus related to sustainability and similar matters may impact our access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of our sustainability practices.

Further, while we make voluntary sustainability-related disclosures from time to time and have established certain sustainability initiatives, there are no assurances that our sustainability practices will meet the standards and expectations of all of our stakeholders. In addition, there can be no assurance that we will be able to accomplish our sustainability goals, including our announced 2030 sustainability goals and commitments, as statements regarding our sustainability goals reflect our current plans and aspirations and are not guarantees that we will be able to achieve them within the timelines we announce or at all. If our sustainability practices or the speed at which we adopt and implement them do not meet investor, shareholder, customer or other stakeholder expectations and standards (which are continually evolving and may emphasize different priorities than the ones on which we choose to focus), then our brand, reputation and stakeholder relationships may be negatively impacted. We could also incur additional costs and require additional resources to monitor, report and comply with various ESG and sustainability frameworks and regulations and to implement our sustainability initiatives. Growing interest on the part of stakeholders regarding sustainability information and growing scrutiny of sustainability-related claims and disclosure has also increased the risk that companies could be perceived as, or accused of, making inaccurate or misleading statements, often referred to as "greenwashing." Such perception or accusation could damage our reputation and result in litigation or regulatory actions.

The apparel industry is also impacted by changing consumer preferences regarding spending categories generally, including shifts away from traditional consumer spending and towards sustainable products. Failure on our part to forecast and respond timely to changing consumer demand and market conditions may adversely affect retail and consumer acceptance of our products. Also, our failure, or perceived failure, to manage reputational threats, meet expectations with respect to socially responsible activities and sustainability commitments, or effectively respond to new or increased regulations, laws or demands related to sustainability matters, could negatively impact our brand credibility, stakeholder relationships, willingness of our customers and suppliers to do business with us, business, financial condition and results of operation.

Climate change, or legal, regulatory or market measures to address climate change, may materially adversely affect our financial condition and business operations.

Climate change resulting from increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere could present risks to our future operations from natural disasters, rising sea levels and extreme weather conditions, such as hurricanes, tornadoes, earthquakes, wildfires or flooding. Changes in weather patterns and an increased frequency, intensity and duration of extreme weather conditions in the areas in which our retail stores, suppliers, manufacturers, customers, distribution centers, headquarters and vendors are located could, among other things, pose physical risks to our facilities and disrupt operation of our supply chain, potentially impacting the production and distribution of our products and increasing the pricing of raw materials, and may increase operational costs. Such factors could also negatively impact consumer spending and/or demand for our products. As a result, the physical effects of climate change could have a long-term adverse impact on our business, financial condition, and results of operations.

Concern over climate change could result in new legal or regulatory requirements designed to mitigate the effects of climate change on the environment. If such laws or regulations are more stringent than current legal or regulatory requirements, we may experience increased compliance burdens and costs to meet the regulatory obligations and we may need to make changes to our operating activities that would increase operating costs, reduce efficiency, limit output or otherwise adversely affect our raw material sourcing, manufacturing operations and the distribution of our products.

Independent of any such regulation, increased public awareness and adverse publicity about potential impacts of climate change or environmental harm from us or our industry could harm our reputation or otherwise adversely impact the Company. In recent years, investors have also begun to show increased interest in sustainability and climate change as it relates to their investment decisions. If we are unable to respond or are perceived to be inadequately responding to sustainability and climate change concerns, we may receive adverse publicity and certain investors may avoid investing in the Company, which could limit our access to capital and have a negative impact on our business and reputation. In addition, climate change may result in economic instability and changes in consumer preferences and spending that may decrease demand for our products and negatively impact our operating results and financial condition.

In addition, we have taken, and may continue to take, voluntary steps to mitigate our impact on climate change. As a result, we may experience increases in energy, production, transportation and raw material costs, capital expenditure or insurance premiums and deductibles.

Any of these events could have a material adverse effect on our business, financial condition and 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, and 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 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, privacy (including online and data privacy), and the protection of personal data (including the European General Data Protection Regulation (the "GDPR") and the California Consumer Privacy Act ("CCPA")), identity theft, and unsolicited commercial communication. Other states in the United States, have either passed, proposed or are considering similar laws and regulations to the CCPA and GDPR. For example, the Nevada Privacy of Information Collected on the Internet from Consumers Act became effective on October 1, 2021, the Virginia Consumer Data Protection Act became effective on January 1, 2023. The

Colorado Privacy Act became effective on July 1, 2023, the Utah Consumer Privacy became effective on December 31, 2023, and the Connecticut Data Privacy Act became effective on July 1, 2023.

Each of these laws and regulations may require us to adhere to stringent legal and operational obligations and require the dedication of substantial time and resources, and could impose significant costs and potential liabilities. Such laws and regulations vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability on regulated entities. 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 substantial fines or penalties, or suffer reputational harm, any of which could reduce demand for our products and hurt our business, financial condition, and results of operations.

In addition, the importance of regulations related to data privacy, security, and consumer protection law-making are accelerating globally. In particular, in Europe, compliance with GDPR requires ongoing review and dedication of resources and may require changes to our processes and policies, which could increase our costs of operation. The GDPR also provides for potentially substantial fines that can be imposed by the data protection authorities for non-compliance. In the PRC, the China Cyber Security (CSL) regulations passed in 2016, along with the Data Security Law (DSL) which took effect on September 1, 2021 and the China Personal Information Protection Law (PIPL) which took effect on November 1, 2021 dictate how companies should approach security and privacy, and compliance with these laws and 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, and results of operations.

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.

Although management has devoted 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 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 impact our ability to execute our business strategy and have an adverse impact on the price of the Notes.

Risks related to our Indebtedness and Liquidity and Capital Resources

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

The indentures governing the Notes contain covenants significantly restricting the ability of the Company and its 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 Company or any restricted subsidiary;
- consolidate or merge with other entities, or sell all or substantially all of the assets of the Company 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.

The ssTL requires us to comply with an aggregate minimum liquidity at Parent level (defined as "Liquidity") covenants measured and reported monthly. Our ability to meet the minimum liquidity test can be affected by events beyond our control, and we cannot provide assurance that we will meet it. A breach of any of those covenants, tests, or restrictions could result in a restriction on the ability to access available capacity, if any, under the ssTL or an event of default under our ssTL.

We require a significant amount of cash to service our debt. Our ability to generate cash depends on many factors, some of which are beyond our control, and, as a result, we may not have sufficient liquidity to operate our business and/or make payments on our debt obligations.

We may be unable to generate sufficient cash flow from operations in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. If we do not have sufficient liquidity, we may need to refinance or restructure all or a portion of our debt on or before maturity, reduce or delay our capital expenditures, sell assets or borrow more money, which we may not be able to do on terms satisfactory to us or at all. In addition, any refinancing could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations. A default on any of our debt obligations could trigger certain acceleration clauses and cause those and our other obligations to become due and payable subject to any applicable cure rights. Upon an acceleration of any of our debt, we may not be able to make payments under our other outstanding debt.

In addition, any default under the ssTL 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 the ssTL, accelerate the payment of those amounts, we cannot provide assurance 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.

Despite our indebtedness, we may still incur more debt, which could further exacerbate the risks described above.

We may incur additional indebtedness in the future. Under the Indenture, in addition to specified permitted indebtedness allowances, we are able to incur additional indebtedness subject to meeting certain financial ratio covenants. In addition, if we incur any additional indebtedness that ranks equally with the Notes, the holders of that debt will be entitled to share ratably with our existing noteholders in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of us. This could reduce the amount of proceeds paid to our existing noteholders. If new debt is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify.

Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under the ssTL and Shareholder Loan are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. We do not hedge our interest rate risk by use of derivative instruments and we may in the future be unable to do so.

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 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.

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 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 the holders of the Notes.

We may not be able to raise additional capital in the future on favorable terms or at all, which could materially adversely affect our financial condition and results of operations. including our inability to continue as a going concern.

Our capital requirements will depend on many factors, including acceptance of, and demand for, our products, the extent to which we invest in new technology and research and development projects, and the status and timing of these developments. We are conducting a strategic review of our business and plan to strengthen our liquidity position and engage shareholders and debtholders with respect to our capital structure. In connection with this strategic review, we are exploring options to refinance our existing indebtedness, including restructuring our existing capital and bringing on new sources of capital. There is no assurance, however, that such efforts will result in a refinancing or restructuring on acceptable terms, if at all. Obtaining such financing is more challenging under current market conditions. Disruptions in the capital and credit markets, including the increases in interest rates by the U.S. Federal Reserve to counteract inflation, as well as other factors, have caused some lenders to increase interest rates, enact tighter lending standards which we may not satisfy as a result of our debt level or otherwise, refuse to refinance existing debt at maturity on favorable terms, or at all, and in certain instances have reduced or ceased to provide funding to borrowers.

The LYCRA Company
Business Overview

(Amounts in millions of U.S. dollars, except as noted)

Overview

The Company innovates and produces fiber and technology solutions for the apparel and personal care industries and owns leading consumer and trade brands: LYCRA®, LYCRA HyFit®, LYCRA® T400®, COOLMAX®, THERMOLITE®, ELASPAN®, SUPPLEX® and TACTEL®. Headquartered in Wilmington, Delaware, the Company is recognized worldwide for its sustainable products, technical expertise, marketing support, and LYCRA ONE™ marketplace. The 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 rank in the top three of their competitive set in the cooling and warming space. We maintain and actively defend a portfolio of over 1,000 patents and applications that make up over 100 unique patent families, in addition to a portfolio of approximately 2,400 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.

Garments made with LYCRA® fiber deliver lasting fit, shape, and comfort. Successful product innovations include:

- LYCRA® XTRA LIFE™ fiber, which helps swimwear last up to ten times longer than unprotected spandex
- LYCRA® FUSION™ technology, which prevents snags and holes from turning into runs in pantyhose
- LYCRA® dualFX® technology, which adds super stretch and recovery to denim.

In 2023, we expanded our LYCRA® ADAPTIV fiber offering to include LYCRA® ADAPTIV BLACK fiber and LYCRA® ADAPTIV XTRA LIFE fiber. These technologies add durability benefits to stretch performance apparel, in addition to enabling inclusive sizing by adapting to fit different body types. We also launched LYCRA® FiT400™ fiber to optimize the performance and comfort of knits and is made from 60% recycled PET and 14.4% from bio-derived resources and is GRS (Global Recycled Standards) certified. LYCRA EnviroFit™ fiber for personal care products is a sustainable option that enables a reduction in fiber weight while delivering the same performance and quality as LYCRA HyFit® fiber.

We also offer the EcoMade family of sustainable fiber solutions made from pre-and post-consumer recycled materials and bio-derived content. Today, our product portfolio includes cooling and warming fibers and insulations made with textile waste. In addition, we continue developing new products that extend garment wear life, and thus reduce the carbon footprint.

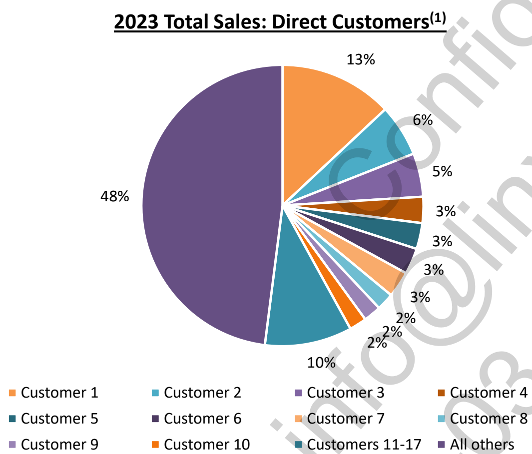
We have also partnered with Qore®, a joint venture between Cargill and HELM, to enable the development of bio-derived LYCRA® fiber made with QIRA® at commercial scale. This innovation will be replacing petroleum-based raw materials with annually renewable field-grown corn in the near future.

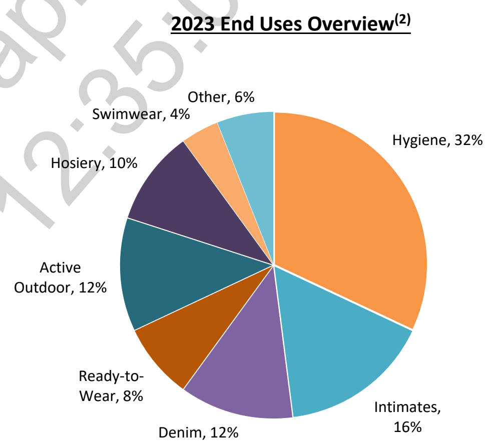
Our business

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.

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 sales breakdown for the year ended December 31, 2023 (LYCRA® and LYCRA HyFit® fiber represent 84% of total sales).

(2) Sales breakdown by end market for the year ended December 31, 2023 (including sales to JV-owned facilities). Other category includes socks, insulation, and medical textiles end markets.

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 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 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 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 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 that regulates manufacture, import, processing, and distribution of chemicals substances;
- The Emergency Planning and Community Right-to-Know Act 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 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 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; cybersecurity; antitrust and competition; anticorruption; anti-boycott; customs, export controls, and trade sanctions; employment and labor; data privacy; 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 2023

Revolving Credit Facility Repayment and New Term Loan

On February 6, 2023, the Company entered into an amendment and restatement agreement pursuant to which its Revolving Credit Facility agreement was amended. The amendments included extending the maturity date to March 1, 2023 and increasing the interest rate to Term SOFR + 700 basis points per annum, with customary fees paid as part of the process.

On March 1, 2023, the Company announced the repayment in full of the RCF and entered into the ssTL Facility Agreement with the principal amount of $109, originally including an original issue discount of 7.00% and benefiting from the same super-priority recovery provisions as the former RCF. Borrowings under the ssTL will otherwise rank pari passu in right of lien and payment, but ahead in the proceeds of enforcement of security with the Company's existing and future first lien secured indebtedness and, at the date of this report, bears interest at Term SOFR plus 9.00% per year, payable in-kind, with customary fees paid as part of the refinancing. The maturity date of the ssTL is February 1, 2025.

Refinancing Notes Issuance and Full Repayment of the 5.375% Senior Secured Euro Notes

The Company entered into a Refinancing Notes Indenture, dated April 25, 2023, providing for the issuance of the Refinancing Notes for an aggregate purchase price of €240. The Company used the proceeds of €240 along with cash on hand to fully repay its €250 aggregate principal amount outstanding of Euro Notes due 2023.

Additional Liquidity Actions

The Company also announced that, substantially contemporaneously with its entry into the Refinancing Notes Indenture, it took several actions to enhance its liquidity position, including: (1) upsizing its existing ssTL by $30 (resulting in net proceeds, after taking into account the original issue discount, of approximately $29 and using substantially all of the remaining capacity thereunder permitted by the Refinancing Notes Indenture) and (2) upsizing its existing Shareholder Loan by approximately $1.

Entry Into Material Definitive Agreement

The Company entered into a standstill and lock-up agreement, dated as of July 28, 2023 (the "Standstill Agreement"), by and among Eagle Super, Dutch Co-Issuer, Refinancing Notes Issuer (collectively the "Company Parties"), Eagle Investments Holdco ("Eagle Investments"), Linx Capital Limited (the "Orphan Issuer"), certain shareholders of Eagle Investments, certain holders of the Dollar Notes, certain lenders under the outstanding $28 Shareholder Loan due December 31, 2024, certain lenders under the ssTL and certain holders of first lien notes due May 2025 issued by the Orphan Issuer and second lien notes due May 2025 issued by the Orphan Issuer.

In connection with the Standstill Agreement, certain amendments to the Refinancing Notes Indenture were executed August 25, 2023 and include:

i. granting of priority in the payment waterfall of the $120 of the Refinancing Notes due April 2025;

ii. certain limited amendments to the Refinancing Notes Indenture of which one involved the repayment of €5 in aggregate principal amount at par plus accrued and unpaid interest. In September 2023, the Refinancing Notes Issuer redeemed €2.5 in aggregate principal amount of the notes at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest. Another redemption of €2.5 in aggregate principal amount of the notes at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest was completed in October 2023;

iii. certain limited amendments to the Dollar Notes Indenture granting of priority in the payment of the Refinancing Notes;

iv. certain limited amendments to the ssTL permitting Shareholder Loan payments to be made; and

v. certain amendments to the facility agreement of Shareholder Loan to facilitate its repayment in full in accordance with an agreed schedule on or before December 31, 2024.

Appointment of Executive Chairman

On August 7, 2023, the shareholders of the Company appointed Craig Rogerson as Executive Chairman of the Board.

Departure of Chief Executive Officer

Effective September 8, 2023, Julien Born left the Company and his position as Chief Executive Officer ("CEO") of the Company. In connection with his exit, Julien Born has resigned from the Company boards on which he served including the board of Eagle Intermediate Holdings B.V. and Yi Jun Xu has been appointed as his replacement to the relevant boards.

Appointment of Chief Executive Officer

Effective November 27, 2023, Gary Smith entered into an employment agreement with the Company and serves as CEO of the Company.

Subsequent Events

See Note 17 Subsequent events within the Notes to the Consolidated Financial Statements for additional updates pertinent to the Business Overview that occurred subsequent to December 31, 2023.

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

(Amounts in millions of U.S. dollars, except as noted)

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

Certain prior period amounts under Results of operations, Reconciliation of Non-GAAP Financial Measures, Guarantors/Non-Guarantors and Off-balance sheet arrangements, have been revised to correct for certain immaterial errors, as described in more detail under Note 1 *Description of business and basis of presentation* within the Notes to the Consolidated Financial Statements for further information on Revisions of Previously Issued Financial Statements.

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

COVID-19 and Supply Chain Disruption

The outbreak of COVID-19 acted as a massive restraint on economies and financial markets in 2020 as supply chains were disrupted and consumption declined partially due to lockdowns imposed by governments globally. COVID-19 continued to impact our financial performance throughout 2022, particularly due to the resurgence of COVID-19 in the PRC resulting in lockdowns, closures of ports and airports, and disruption of commercial activities which further constrained our supply chain, depressed demand, and contributed to production curtailments, increased logistics and energy costs, and lower sales volumes.

Despite the COVID19 pandemic being largely resolved, the resurgence in the PRC and the PRC's zero COVID policy had a material adverse impact on our business, financial condition, and results of operations in 2022 and has had some carry-on effects into 2023.

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 76% and 85% of the spandex ingredients cost for the years ended December 31, 2023 and 2022, respectively. The higher percentage in 2022 was driven by spikes in global PTMEG and MDI prices, which gradually declined closer to historical levels by the end of 2022. 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.

The increases in global average PTMEG purchase prices impacted cost of goods sold and working capital throughout 2022. As a result, we strategically raised the prices of our branded LYCRA® fiber and LYCRA HyFit® fiber to minimize impacts to our gross margin. Historically, we have maintained prices for our differentiated products, absorbing changes in the raw material market. During the year ended December 31, 2023, in response to lower average PTMEG purchase prices, we strategically lowered our prices in targeted areas while sustaining a significant premium compared to generics.

We also experienced rising energy costs at our manufacturing facilities in 2022 as a result of higher natural gas, coal, and fuel oil prices. Although these higher prices have subsided in 2023, the prices remain elevated as compared to periods prior to 2022. In addition, we have curtailed production at our manufacturing facilities during periods of weak demand which has increased our energy as a unit rate.

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 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, a resurgence of COVID-19 through January 2023 in the PRC market slowed the recovery of the domestic retail sector and our apparel end-use demand was materially impacted. Overall, demand for premium spandex products remained depressed in 2023. Additionally, inflation, which has risen significantly, has and may continue to increase our operational costs, including labor, transportation and energy, and continued increases in interest rates in response to concerns about inflation may have the effect of further recessionary economic conditions. Furthermore, as an international company, we are sensitive to instability in the geopolitical environment. For example, the Russia-Ukraine and Israel-Hamas conflicts, as well as political tensions between Taiwan and China, have caused, and are likely to continue to cause, uncertainty and instability in local economies and in global financial markets.

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 have operated 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 lower market demand for high margin LYCRA® fiber and LYCRA HyFit® fiber and produce ELASPAN® fiber on the incremental capacity. At various times during 2022 and 2023, we chose to curtail production at our manufacturing facilities to avoid building inventory as a result of softening demand due to both the resurgence of COVID-19 and subsequent lockdowns in the PRC and recessionary economic pressures globally. 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 attributable to a product 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 67% and 82% for the years ended December 31, 2023 and 2022, respectively. The reduction in current year was due to curtailment of production in response to weaker demand.

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 46% and 44% of our net sales for the years ended December 31, 2023 and 2022, 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, and (3) payables. These are recognized in the income statement as a gain or loss on foreign currency revaluation within "Other (income) expense, net."

A 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

Our products include spandex fibers (differentiated and minimally-differentiated), nylon fibers, and specialty polyester. Product mix, particularly within our spandex fibers, has an impact on the overall performance of our business. Our differentiated products are composed of a broad and specialized product line, supported by technical and marketing support to customers, and a globally integrated supply chain, all of which contribute to premium pricing and allow us to maintain significantly higher price positions when generics prices fall. Our focus is to implement strategies that drive these high margin-differentiated fiber sales. The spandex fiber market has continued to grow over the last several years, excluding 2020, as a result of global population growth, global GDP growth, and increased penetration in both apparel and personal care products.

A change in our product mix due to volume, price, and associated raw material costs will impact our overall business results.

Price policy

Our differentiated products accounted for approximately 94% and 93% of total fiber sales for the years ended December 31, 2023 and 2022, 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. Overall, our minimally-differentiated products have few distinguishing qualities from 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 54% of our global sales for the year ended December 31, 2023, which were concentrated in four countries: the PRC (23%), the United States (17%), Brazil (8%), and Italy (6%), compared to approximately 49% of our global sales for the year ended December 31, 2022, which were concentrated in the PRC (19%), the United States (16%), Brazil (7%), and Italy (7%).

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 including foreign currency, 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 the years ended December 31, 2023 and 2022. 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 at prevailing market price, and they normally represent 1% or less of our total sales. Upon occurrence of a change of ownership during 2022, Itochu Corporation and its subsidiaries were no longer considered related parties which resulted in a significant decrease in sales to related parties.

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, depreciation, maintenance and repair, utilities (primarily energy), 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 69% and 77% of our cost of goods sold and other operating expenses for the years ended December 31, 2023 and 2022, respectively. A decline in the current year percentage was driven by lower cost of raw materials and lower sales volumes compared to the previous year.

Selling, general and administrative expenses

Selling, general and administrative expenses include salaries and wages, benefits, sales and marketing, advertising and promotion, finance, administration, human resources, information technology costs, 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 (income) expense reflects costs or income associated with restructuring events, including change in control, other corporate actions, site closures, workforce reductions, asset write-downs and recoveries, and sales of certain assets previously written-off.

Goodwill and other intangible assets impairment

Goodwill and other intangible assets impairment reflects impairment losses following management's annual analysis of goodwill and other intangible assets.

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.

Equity in (income) loss of affiliates

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

Pension non-service cost (benefit)

Pension non-service cost (benefit) 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 interest associated with all debt arrangements including amortization of discounts and deferred financing fees.

Net (income) loss attributable to noncontrolling interest

Net (income) loss 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 Company.

(Amounts in millions of U.S. dollars, except as noted)

Results of operations

Summary Combined Consolidated Financial Presentation

The following presentation reflects the summary audited consolidated financial results for years ended December 31, 2023 and 2022:

	Year ended December 31,	
	2023	**2022**
Net sales	$ 820	$ 1,071
Sales to related parties	3	16
Total sales	823	1,087
Royalty and licensing income, net	3	5
Total revenue	826	1,092
Cost of goods sold and other operating expenses	678	928
Gross profit	148	164
Selling, general and administrative expenses	109	108
Research and development expenses	28	29
Restructuring expense	12	37
Goodwill and other intangible assets impairment	411	326
Other (income) expense, net	22	(32)
Operating income (loss)	(434)	(304)
Equity in (income) loss of affiliates	(5)	24
Pension non-service cost (benefit)	(2)	(1)
Interest expense, net	164	87
Income (loss) before income taxes	(591)	(414)
Income tax expense (benefit)	15	6
Consolidated net income (loss)	(606)	(420)
Net (income) loss attributable to noncontrolling interest	22	15
Net income (loss) attributable to The LYCRA Company	$ (584)	$ (405)

Total sales

"Total sales" were $823 and $1,087 for the years ended December 31, 2023 and 2022, respectively. Reduction in the current year sales was primarily due to lower volumes as a result of a decline in market demand and lower selling prices. Upon occurrence of a change of ownership during 2022, Itochu Corporation and its subsidiaries were no longer considered related parties which resulted in a significant decrease in sales to related parties.

Cost of goods sold and other operating expenses

"Cost of goods sold and other operating expenses" were $678 and $928 for the years ended December 31, 2023 and 2022, respectively. The decrease was primarily driven by lower raw material unit costs as a result of declining PTMEG prices and lower sales volumes.

Selling, general and administrative expenses

"Selling, general and administrative expenses" were $109 and $108 for the years ended December 31, 2023 and 2022, respectively.

Research and development expenses

"Research and development expenses" were $28 and $29 for the years ended December 31, 2023 and 2022, respectively.

Restructuring expense

"Restructuring expense" were $12 and $37 for the years ended December 31, 2023 and 2022, respectively. The current year expense mainly includes professional fees and other costs associated with certain corporate actions. The prior year expense includes $39 of professional fees and other costs associated with the Enforcement Action and subsequent change of ownership, partially offset by the release of $(3) upon extinguishment of the remaining asset retirement obligation (ARO) at La Porte.

Goodwill and other intangible assets impairment

"Goodwill and other intangible assets impairment" was $411 and $326 for the years ended December 31, 2023 and 2022, respectively. The Company recognized goodwill impairments of $293 and $326 in 2023 and 2022, respectively, for the amount by which the apparel reporting unit's carrying value exceeded its fair value as determined by a combination of income and market approaches. In the current year, the Company performed a quantitative test under the relief from royalty method and determined the carrying value of the trade name intangible assets was impaired by $118.

Other (income) expense, net

"Other (income) expense, net" was $22 and $(32) for the years ended December 31, 2023 and 2022, respectively. Expense incurred in the current year primarily includes $9 of advisory, consulting, and legal costs associated with the restructuring of financing arrangements, $9 foreign currency losses on the Refinancing Notes and the Euro Notes and $3 taxes other than income, partially offset by a $(2) gain on PRC currency translation adjustment. Income in the prior year primarily represents foreign currency gains on the Euro Notes.

Equity in (income) loss of affiliates

"Equity in (income) loss of affiliates" was $(5) and $24 for the years ended December 31, 2023 and 2022, respectively. Loss in prior year was a result of a $30 other than temporary impairment to the Company's investment in Laika.

Pension non-service cost (benefit)

"Pension non-service cost (benefit)" was $(2) and $(1) for the years ended December 31, 2023 and 2022, respectively.

Interest expense, net

"Interest expense, net" was $164 and $87 for the years ended December 31, 2023 and 2022, respectively. The increase in current year interest expense was primarily due to higher borrowing rates of interest on the Refinancing Notes and ssTL as well as amortization of discounts and deferred financing fees for our debt financing arrangements.

Income tax expense

"Income tax expense" was $15 and $6 and the effective tax rate was (3)% and (1)% for the years ended December 31, 2023 and 2022, respectively. The effective tax rate differs from the Netherlands' statutory rate, 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. At December 31 2023 and 2022, the Netherlands' statutory rate was 25.8%.

Net (income) loss attributable to noncontrolling interest

"Net (income) loss attributable to noncontrolling interest" was $22 and $15 for the years ended December 31, 2023 and 2022, respectively. Net loss for both periods was primarily due to goodwill impairment charges attributable to the noncontrolling interest.

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 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.*"

(Amounts in millions of U.S. dollars, except as noted)

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

	Year ended December 31,	
	2023	**2022**
Consolidated net income (loss)	$ (606.5)	$ (420.4)
Interest expense	163.9	87.1
Income tax expense	15.2	5.1
Depreciation and amortization	56.8	63.5
EBITDA	(370.6)	(264.7)
Joint venture EBITDA adjustment [a]	4.1	4.9
Noncontrolling interest EBITDA [b]	(3.7)	(3.2)
Foreign exchange adjustment [c]	0.3	0.3
Foreign exchange on bonds [d]	8.5	(16.4)
Other items [e]	(5.7)	(2.8)
Other restructuring [f]	12.5	40.1
Impact of PRC functional currency [g]	(3.4)	(15.6)
Financing costs [h]	16.9	1.7
La Porte post-closure costs [i]	—	0.1
La Porte restructuring [j]	—	(3.0)
Goodwill and other intangible assets impairment [k]	411.2	326.2
Impairment loss on investment in equity affiliate [l]	—	30.0
Adjusted EBITDA	$ 70.1	$ 97.6

a) Represents an adjustment to conform the 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 the PRC, Brazil, Hong Kong, and Switzerland.

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

e) Represents certain other unusual items which in the current year, was primarily a gain on sale of emission reduction credits and a gain upon termination of the pension plan in Hong Kong, partially offset by losses from the write-off of certain non-operating assets. The prior year was primarily driven by a gain upon extinguishment of a liability.

f) Represents costs primarily associated with the restructuring of financing arrangements and change of ownership. The prior year costs represent professional fees and other costs incurred due to the Enforcement Action and subsequent change of ownership.

(Amounts in millions of U.S. dollars, except as noted)

g) Represents impacts from the foreign currency remeasurement (gains) 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.

h) Represents costs mainly from the loss on extinguishment of the Euro Notes and certain legal and other fees associated with the Refinancing Notes.

i) Represents costs incurred at La Porte following the cessation of operations.

j) Represents a reversal of certain accrued liabilities at La Porte.

k) Represents impairment losses following management's annual analysis of goodwill and other intangible assets

l) Represents other than temporary impairment charges taken on the Company's investment in Laika.

Guarantors/Non-Guarantors

For the years ended December 31, 2023 and 2022, the Guarantors represented approximately 37% and 58% of Adjusted EBITDA, respectively, and approximately 79% and 80% of total sales, respectively, excluding transactions with Non-Guarantors. As of December 31, 2023 and 2022, the Guarantors represented approximately 87% of combined total assets for both periods, excluding goodwill and asset balances related to transactions with Non-Guarantors.

As a result of local law restrictions, our subsidiary organized under the laws of the PRC, is not permitted to, and does not, guarantee the Notes. For the years ended December 31, 2023 and 2022, such subsidiary organized under the law of the PRC, together with other Non-Guarantors, represented approximately 63% and 42% of Adjusted EBITDA, respectively, and approximately 21% and 20% of total sales, respectively, excluding transactions with the Guarantors. As of December 31, 2023 and 2022, such subsidiary organized under the laws of the PRC, together with other Non-Guarantors, represented approximately 13% of combined total assets, excluding asset balances related to transactions with the Guarantors.

The following tables represent summarized financial information of Guarantors/Non-Guarantors for the periods presented:

	Year ended December 31, 2023		
	Guarantor	**Non-Guarantor**	**Consolidated**
Total sales	$ 649	$ 174	$ 823
Gross profit	119	29	148
Operating income (loss)	(414)	(20)	(434)
Income (loss) before income taxes	(571)	(20)	(591)
Consolidated net income (loss)	(580)	(26)	(606)
Net income (loss) attributable to The LYCRA Company	(558)	(26)	(584)

(Amounts in millions of U.S. dollars, except as noted)

	Year ended December 31, 2022		
	Guarantor	**Non-Guarantor**	**Consolidated**
Total sales	$ 875	$ 212	$ 1,087
Gross profit	133	31	164
Operating income (loss)	(282)	(22)	(304)
Income (loss) before income taxes	(362)	(52)	(414)
Consolidated net income (loss)	(370)	(50)	(420)
Net income (loss) attributable to The LYCRA Company	(355)	(50)	(405)

	December 31, 2023		
Assets	**Guarantor**	**Non-Guarantor**	**Consolidated**
Current assets:			
Cash and cash equivalents	$ 79	$ 6	$ 85
Restricted cash	3	6	9
Receivables, net	86	31	117
Inventories, net	154	16	170
Prepaid expenses and other current assets	11	—	11
Total current assets	333	59	392
Property, plant and equipment, net	192	53	245
Right of use lease assets, net	34	18	52
Goodwill	334	—	334
Other intangible assets, net	332	3	335
Investments in equity affiliates	136	—	136
Deferred income tax assets	—	17	17
Other assets	11	—	11
Total assets	$ 1,372	$ 150	$ 1,522

	December 31, 2022		
Assets	**Guarantor**	**Non-Guarantor**	**Consolidated**
Current assets:			
Cash and cash equivalents	$ 55	$ 7	$ 62
Restricted cash	1	—	1
Receivables, net	94	25	119
Inventories, net	227	21	248
Prepaid expenses and other current assets	15	—	15
Total current assets	392	53	445
Property, plant and equipment, net	207	67	274
Right of use lease assets, net	33	20	53
Goodwill	627	—	627
Other intangible assets, net	461	4	465
Investments in equity affiliates	137	—	137
Deferred income tax assets	—	13	13
Other assets	14	—	14
Total assets	$ 1,871	$ 157	$ 2,028

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.

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

As of December 31, 2023 and 2022, we had total cash and cash equivalents of approximately $85 and $62, respectively. At December 31, 2023, principal amounts borrowed under the Shareholder Loan and the ssTL are $18 and $156, 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 all of our debt arrangements 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 Indentures governing the Dollar Notes and the Refinancing Notes limit 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.

Depending on market conditions, regulatory and rating agency considerations, and other factors, we may take various liability and capital management actions. Liability management actions may include, but are not limited to, repurchasing or redeeming outstanding debt, issuing new debt, or engaging in debt exchange offers.

We may choose to paydown on the borrowing arrangements in the future depending upon our working capital, capital expenditure, and other general corporate needs. We are subject to certain customary covenants under the borrowing arrangements, which impose restrictions on, among other things, additional indebtedness, liens, investments, advances, guarantees, and mergers and acquisitions. However, such restrictions are subject to several exceptions and qualifications and such restrictions and qualifications may be waived or amended, and debt (including secured debt) incurred in compliance with such restrictions and qualifications (as they may be waived or amended) may be substantial. Such transactions, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements and cash position, contractual restrictions, trading prices of debt from time to time and other factors. The amounts involved in any such transactions, individually or in the aggregate, may be material.

From time to time, we engage in discussions with holders of our existing debt and other potential financing sources regarding such transactions and we expect to continue to engage in such discussions in the future. We cannot provide any assurance as to if or when we will consummate any such transactions or the terms of any such transactions. In addition, we may choose or need to obtain alternative sources of capital, or otherwise meet our liquidity needs and/or restructure our existing indebtedness through the protections available under applicable bankruptcy or insolvency laws.

We may, at any time and from time to time, seek to retire or purchase our Notes and other debt instruments through cash purchases in the form of open-market purchases, privately negotiated transactions, or otherwise, and in amounts that may be material. Such repurchases, if any, will be upon such terms and such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions, and other factors.

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. Our business lines are also impacted by increasing working capital in preparation for regularly scheduled maintenance at our production facilities. 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.

(Amounts in millions of U.S. dollars, except as noted)

The equity method is used to account for these joint venture entities in which we own 50% or less. Sales to and purchases from entities accounted for using the equity method are reported at a gross amount. For subsidiaries in which ownership is greater than 50% but less than 100%, the outside investor's interests are reported as a noncontrolling interest.

Capital expenditures (Capex)

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, 2023 and 2022 were $10 and $8, 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.

Expenditures for the year ended December 31, 2023 and 2022 were primarily associated with maintenance costs spread among nearly all of our facilities.

	Year ended December 31,	
	2023	**2022**
Maintenance Capex	$ 8	$ 6
Growth Capex	2	2
	$ 10	$ 8

Historical cash flow data

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

	Year ended December 31,		
	2023	**2022**	**Change**
Net cash provided by (used in) operating activities	$ 48	$ (45)	$ 93
Net cash provided by (used in) investing activities	(10)	(7)	(3)
Net cash provided by (used in) financing activities	(8)	81	(89)

"Net cash provided by (used in) operating activities" increased $93 for the year ended December 31, 2023, mainly driven by a reduction of working capital due to a decrease in raw material costs and lower inventory volumes as a result of curtailed production in the current year compared to higher costs of raw materials and energy in 2022.

"Net cash provided by (used in) investing activities" was $(10) and $(7) for the years ended December 31, 2023 and 2022, respectively. Net cash used for both periods primarily include maintenance capital expenditures.

"Net cash provided by (used in) financing activities" was $(8) and $81 for the year ended December 31, 2023 and 2022, respectively. Net cash used of $(8) for the year ended December 31, 2023 was driven by $263 net proceeds from issuance of the Refinancing Notes and $30 net proceeds from borrowings under the ssTL, offset by $(271) repayment of the Euro Notes, $(16) payment of deferred financing costs on new debt arrangements, $(10) partial repayment of the Shareholder Loan, and $(5) partial redemption on the Refinancing Notes. Net cash provided of $81, for the year ended December 31, 2022, includes a $50 RCF draw, $27 of proceeds from issuance of the Shareholder Loan, $7 net short-term bank borrowing for purchase of raw material, and a $(3) payment of deferred financing costs.

Pension liabilities

We also have obligations with respect to pension and other post-retirement benefits. As of December 31, 2023 and 2022, we had funded and unfunded plans in which the aggregate amount of the projected benefit obligations exceeded the fair value of plan assets by $12 and $5, 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.

Off-balance sheet arrangements

We have purchase commitments for certain operating supply contracts, capital projects, and services. These purchase obligations were $18 and $10 as of December 31, 2023 and 2022, respectively.

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, 2023, 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 31, 2023. 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.

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

COVID-19 continued to impact our financial performance throughout 2022, particularly due to the resurgence of COVID-19 in the PRC, resulting in lockdowns, closures of ports and airports, and disruption of commercial activities which further constrained our supply chain, depressed demand, and contributed to production curtailments, increased logistics and energy costs, and lower sales volumes.

Despite the COVID19 pandemic being largely resolved, the resurgence in the PRC and the PRC's zero COVID policy had a material adverse impact on our business, financial condition, and results of operations in 2022 and had some carry-on effects into 2023.

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, 2023. 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 denominated 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, 2023, a 10% change in the exchange rate would have had the following revenue impacts relative to the U.S. dollar: (1) a $16 impact related to the Chinese yuan, (2) a $13 impact related to the euro, and (3) a $6 impact related to the Brazilian real.

Interest rate risk

Our indebtedness and other debt arrangements are primarily comprised of the Dollar Notes and the Refinancing Notes (which have fixed interest rates), the ssTL and Shareholder Loan (which have variable interest rates based on Term SOFR), and our other ancillary facilities (including bi-lateral facilities, lines of credit, and overdraft facilities).

A one-eighth percentage point increase or decrease in the applicable interest rate for the ssTL and Shareholder Loan would have an annual impact of $0.2 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.

The increases in global average PTMEG purchase prices impacted cost of goods sold and working capital throughout 2022. As a result, we strategically raised the prices of our branded LYCRA® fiber and LYCRA HyFit® fiber to minimize impacts to our gross margin. During the year ended December 31, 2023, in response to lower average PTMEG purchase prices, we strategically lowered our prices in targeted areas while sustaining a significant premium compared to generics. Historically, we have maintained prices for our differentiated products, absorbing changes in the raw material market.

We also experienced rising energy costs at our manufacturing facilities in 2022 as a result of higher natural gas, coal, and fuel oil prices. Although these higher prices have subsided in 2023, the prices remain elevated as compared to periods prior to 2022. In addition, we have curtailed production at our manufacturing facilities during periods of weak demand which has increased our energy as a unit rate.

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 were $3 and $16 for the years ended December 31, 2023 and 2022, respectively. Effective June 28, 2022, as a result of the Enforcement Action and subsequent change of ownership, Itochu is no longer considered a related party.

Laika Joint Venture

On August 3, 2021, the Company established a joint venture, Laika, with minority partners, including a related party, Wanzhong, for the purpose of acquiring additional spandex manufacturing capacity from Jining Ruyi High-tech Fiber Material Co., Ltd in the PRC. With the completion of the Enforcement Action and subsequent change of ownership, Wanzhong is no longer considered a related party, effective June 28, 2022. See Note 7 *Investments in equity affiliates – 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 certain fees and expenses incurred by Issuers in connection with the Acquisition. A similar letter was entered into in connection with the Taiwan Acquisition (defined herein). These provided a commitment to pay or reimburse certain amounts paid by the Issuers.

With the completion of the Enforcement Action and subsequent change of ownership, effective June 28, 2022, Jining Ruyi is no longer a related party and therefore payment or recovery under these commitment letters is unlikely.

Eagle Super Global Holding B.V. and Subsidiaries

d/b/a The LYCRA Company

CONSOLIDATED FINANCIAL STATEMENTS

(Audited)

For the year ended December 31, 2023

Table of Contents

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

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

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 sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income (loss), shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has $156 million of a super senior term loan facility that will mature February 1, 2025, without sufficient liquidity available to satisfy the debt payment 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 these matters 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.

Other Matter

In our report dated March 31, 2023, we expressed an opinion that, except for the possible effects of the matter related to the Company's investment in Laika New Material (Foshan) Co., Ltd. (Laika), the 2022 consolidated financial statements did fairly present the financial position, results of operations, and cash flows of the Company in accordance with U.S. generally accepted accounting principles. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in Laika as of December 31, 2022, and the Company's share of Laika's net income for the year ended December 31, 2022. As described in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for this item and restated its 2022 consolidated financial statements to conform with U.S. generally accepted accounting principles. Accordingly, our present opinion on the restated 2022 consolidated financial statements, as presented herein, is different from that expressed in our previous report.

KPMG

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
March 28, 2024

The LYCRA Company

Consolidated Balance Sheets

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

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 85	$ 62
Restricted cash	9	1
Receivables, net	117	119
Inventories, net	170	248
Prepaid expenses and other current assets	11	15
Total current assets	392	445
Property, plant and equipment, net	245	274
Right of use lease assets, net	52	53
Goodwill	334	627
Other intangible assets, net	335	465
Investments in equity affiliates	136	137
Deferred income tax assets	17	13
Other assets	11	14
Total assets	$ 1,522	$ 2,028
Liabilities and Shareholder's Equity		
Current liabilities:		
Current debt	26	300
Lease liabilities, current portion	5	5
Payables	67	57
Accrued and other current liabilities	52	59
Total current liabilities	150	421
Long-term debt, net	1,158	784
Lease liabilities, long-term	31	29
Pension and other post-retirement benefit liabilities	12	5
Deferred income tax liabilities	37	37
Other liabilities	1	1
Total liabilities	$ 1,389	$ 1,277
Shareholder's equity:		
Shareholder's equity	81	665
Accumulated other comprehensive income	(8)	4
Total The LYCRA Company shareholder's equity	73	669
Noncontrolling interest	60	82
Total shareholder's equity	133	751
Total liabilities and shareholder's equity	$ 1,522	$ 2,028

See accompanying notes to the consolidated financial statements.

The LYCRA Company
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Amounts in millions of U.S. dollars)
(Audited)

	Year ended December 31, 2023	2022
Net sales	$ 820	$ 1,071
Sales to related parties	3	16
Total sales	823	1,087
Royalty and licensing income, net	3	5
Total revenue	826	1,092
Cost of goods sold and other operating expenses	678	928
Gross profit	148	164
Selling, general and administrative expenses	109	108
Research and development expenses	28	29
Restructuring expense	12	37
Goodwill and other intangible assets impairment	411	326
Other (income) expense, net	22	(32)
Operating income (loss)	(434)	(304)
Equity in (income) loss of affiliates	(5)	24
Pension non-service cost (benefit)	(2)	(1)
Interest expense, net	164	87
Income (loss) before income taxes	(591)	(414)
Income tax expense (benefit)	15	6
Consolidated net income (loss)	(606)	(420)
Net (income) loss attributable to noncontrolling interest	22	15
Net income (loss) attributable to The LYCRA Company	$ (584)	$ (405)
Consolidated net income (loss)	$ (606)	$ (420)
Other comprehensive income (loss), net of tax		
Recognition of actuarial gains (loss)	(7)	3
Foreign currency translation adjustment	(5)	(26)
Comprehensive income (loss)	(618)	(443)
Net (income) loss attributable to noncontrolling interest	22	15
Comprehensive income (loss) attributable to The LYCRA Company	$ (596)	$ (428)

See accompanying notes to the consolidated financial statements.

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, 2021	$ (419)	$ 1,488	$ 27	$ 1,096	$ 97	$ 1,193
Consolidated net income (loss)	(405)	—	—	(405)	(15)	(420)
Share-based compensation	—	1	—	1	—	1
Other comprehensive income (loss)	—	—	(23)	(23)	—	(23)
Balances at December 31, 2022	$ (824)	$ 1,489	$ 4	$ 669	$ 82	$ 751
Consolidated net income (loss)	(584)	—	—	(584)	(22)	(606)
Other comprehensive income (loss)	—	—	(12)	(12)	—	(12)
Balances at December 31, 2023	$ (1,408)	$ 1,489	$ (8)	$ 73	$ 60	$ 133

See accompanying notes to the consolidated financial statements.

The LYCRA Company

Consolidated Statements of Cash Flows

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

	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows from operating activities:		
Consolidated net income (loss)	$ (606)	$ (420)
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	51	67
Amortization of deferred financing costs and discounts	48	16
Net impact of leases	1	—
Employee stock-based compensation	—	1
Exchange rate changes on cash and cash equivalents and restricted cash	(1)	1
Undistributed loss (earnings) in investments in equity affiliates	(5)	(6)
Impairment of goodwill and other intangible assets	411	326
Loss (gain) on long-lived assets	2	—
Impairment of investment in equity affiliate	—	30
Deferred income taxes	(4)	(16)
Pension expense, net of contributions	(1)	—
Return on investments from equity affiliates	6	4
Changes in assets and liabilities: [1]		
Receivables	2	65
Inventories	78	(9)
Other assets	6	29
Payables	15	(94)
Other liabilities	45	(39)
Net cash provided by (used in) operating activities	48	(45)
Cash flows from investing activities:		
Capital expenditures	(10)	(8)
Return of investment in equity affiliate	—	1
Net cash provided by (used in) investing activities	(10)	(7)
Cash flows from financing activities:		
Borrowings of revolvers	—	50
Repayments of revolvers	(100)	—
Short-term bank borrowings	22	10
Payments of short-term debt	(302)	(3)
Proceeds from long-term debt	394	27
Payment of long-term debt	(5)	—
Payment of deferred financing costs	(16)	(3)
Principal payment on finance leases	(1)	—
Net cash provided by (used in) financing activities	(8)	81
Net increase (decrease) in cash and cash equivalents and restricted cash	30	29
Effect of exchange rate changes on cash and cash equivalents and restricted cash	1	(1)
Cash and cash equivalents and restricted cash at beginning of period	63	35
Cash and cash equivalents and restricted cash at end of period	$ 94	$ 63

[1] Net of effect of translation, disposition and acquisitions.

	2023	2022
Taxes paid	$ 18	$ 28
Interest paid	$ 60	$ 68
Non-cash investing activities:		
Commencement of leases	$ 7	$ —

See accompanying notes to the consolidated financial statements.

1. Description of business and basis of presentation

Background and ownership

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 Investments Holdco ("Eagle Investments"), a Cayman Islands holding company.

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.

On February 21, 2022, The LYCRA Company (the "Company") received notice that an investor group of financial institutions comprised of Lindeman Asia, Lindeman Partners Asset Management, Tor Investment Management, and China Everbright Limited ("Investor Group"), who made loans to one of the Company's former shareholders, Ruyi Textile and Fashion International Group Limited ("Ruyi Textile"), forming a Mezzanine Credit Facility for Ruyi Textile, initiated an enforcement action following Ruyi Textile's default. The Investor Group appointed Alvarez and Marsal Asia Limited ("A&M") as joint and several receivers and managers over Ruyi Textile's assets and over the shares of Ruyi Textile previously owned by its majority shareholder (the "Enforcement Action").

On June 28, 2022, the Company announced that the Investor Group who had initiated the Enforcement Action in February gained full equity control of Eagle Super. At the direction of its controlling shareholder, Eagle Investments HoldCo, the Company initiated certain corporate governance changes within its legal entity structure, including the removal of A&M representatives on its boards.

Description of business

The Company innovates and produces fiber and technology solutions for the apparel and personal care industries and owns leading consumer brands: LYCRA®, LYCRA HyFit®, LYCRA® T400®, COOLMAX®, THERMOLITE®, ELASPAN®, SUPPLEX®, and TACTEL®. Headquartered in Wilmington, Delaware, the Company is recognized worldwide for its sustainable products, technical expertise, marketing support, and LYCRA ONE™ marketplace. The Company 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.

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. At December 31, 2023 the Company had a $156 super senior term loan that will mature on February 1, 2025, without sufficient liquidity available to satisfy the debt payment when due, and therefore, substantial doubt exists about the Company's ability to continue as a going concern. The Company's management is currently working with shareholders to prepare a road show for existing and potential lenders and investors in order to refinance the super senior term loan on or before its maturity. As of March 28, 2024, 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 these uncertainties.

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.

Revision of Previously Issued Financial Statements

Certain prior period amounts on the consolidated balance sheet, consolidated statement of operations and comprehensive income (loss), consolidated statement of shareholder's equity and consolidated statements of cash flows, have been revised to correct for certain immaterial errors, as described below.

During 2023, management identified an immaterial error impacting previously issued financial statements as of and for the year ending December 31, 2022. Specifically, management identified an error in financial statement presentation required to be corrected to record the impairment of the Laika equity method investment of $30 ("Laika Impairment") during the year ending December 31, 2022. The Laika Impairment is based on a subsequent discovery of information that indicated an other-than-temporary impairment in accordance with Accounting Standards Codification 323, *Equity Method and Joint Ventures* ("ASC 323") that existed as of December 31, 2022. The Company had previously disclosed in our financial statements as of and for the year ending December 31, 2022, our inability to control Laika and Laika management's actions to deny the Company sufficient access to Laika's books and records resulting in the Company accounting for Laika based on the best information available to the Company. New information became available that informed the Company of conditions that existed as of December 31, 2022.

(Amounts in millions of U.S. dollars, except as noted)

The impact of the required correction on the Company's consolidated balance sheet as of December 31, 2022, and the consolidated statement of operations and comprehensive income (loss) is summarized in the tables below:

	As Reported	Revision	As Revised
December 31, 2022			
Investment in equity affiliates	$ 167	$ (30)	$ 137
Deferred income tax assets	6	7	13
Total assets	2,051	(23)	2,028
Deferred income tax liabilities	39	(2)	37
Total liabilities	1,279	(2)	1,277
Shareholder's equity	686	(21)	665
Total The LYCRA Company shareholder's equity	690	(21)	669
Total shareholder's equity	772	(21)	751

	As Reported	Revision	As Revised
Year ended December 31, 2022			
Equity in (income) loss of affiliates	$ (6)	$ 30	$ 24
Income (loss) before income taxes	(384)	(30)	(414)
Income tax expense (benefit)	15	(9)	6
Consolidated net income (loss)	(399)	(21)	(420)
Net income (loss) attributable to The LYCRA Company	(384)	(21)	(405)
Comprehensive income (loss)	(422)	(21)	(443)
Comprehensive income (loss) attributable to The LYCRA Company	(407)	(21)	(428)

The Laika impairment was a non-cash charge included in adjustments to reconcile consolidated net income (loss) within the consolidated statement of cash flows that, when considered in connection with changes to consolidated net income (loss) disclosed above, result in no change to net cash provided by (used in) operating activities, net cash provided by (used in) investing, and net cash provided by (used in) financing activities in the consolidated statement of cash flows.

Management assessed the materiality of this presentation on prior period consolidated financial statements in accordance with ASC 250, *Accounting Changes and Error Corrections* ("ASC 250"). Based on this assessment, management concluded that the error correction is not material to any previously presented 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.

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. 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 (ARO)

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 ARO liability was less than $1 at December 31, 2023 and 2022.

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.

The U.S. GAAP guidance for testing goodwill for impairment gives companies the option to first perform a qualitative assessment, to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying value. If a company concludes that this is the case, it must perform the quantitative test. Otherwise, a quantitative test is not required. The guidance requires companies to evaluate all events and circumstances, positive and negative, in assessing whether it is more likely than not that a reporting unit's fair value is less than its carrying value. Such events and circumstances include macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant company-specific events such as changes in management, strategy or customers and litigation, and reporting unit-specific changes.

The quantitative testing of goodwill for impairment involves comparing the fair value of a reporting unit with its carrying amount. An impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, up to the total amount of goodwill for the reporting unit.

Testing goodwill for impairment, whether using a qualitative or quantitative approach, involves significant management judgment. Under the qualitative approach, relevant events and circumstances and their significance must be evaluated by management with regards to their impact on the assessment of the likelihood that the fair value of a reporting unit is less than its carrying value. Under the quantitative approach, the Company estimates the fair value of the reporting units, utilizing income and market approaches. For the income approach, discounted cash flows are utilized. 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, the guideline public company method is utilized. If any of the assumptions utilized in the estimation of fair value change adversely, the resulting decline in estimated fair value could result in a material impairment charge. Given the unobservable nature of these inputs, they are considered to be Level 3 inputs in the fair value hierarchy.

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 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.

The guidance for testing indefinite-lived intangible assets gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of an intangible asset is less than its carrying value. The guidance requires companies to evaluate all events and circumstances, positive and negative, in assessing whether it is more likely than not that an intangible asset's fair value is less than its carrying value. Such events and circumstances include macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant company-specific events such as changes in management, strategy or customers and litigation, and asset-specific changes. If the Company concludes that it is more likely than not that the fair value exceeds the carrying value, no additional testing is required. However, if the Company concludes it is more likely than not that the fair value is less than the carrying value, it must perform a quantitative test. Under the quantitative test, the Company estimates the fair value of the trade name portfolio using the relief from royalty method.

Significant assumptions required for this method are revenue growth rates, the selected royalty rates, and discount rates. The Company estimates the fair value of in-process research and development intangible assets using the multi-period excess earnings method. Significant assumptions required for this method are revenue growth rates, attribution of the technology to the revenue stream over time, contributory asset charges, and discount rates. If the result of the quantitative test is that the fair market value is less than the carrying value, an impairment loss is recorded. If any of the assumptions utilized in the estimation of fair value change adversely, the resulting decline in estimated fair value could result in a material impairment charge in a future period. Given the unobservable nature of these inputs, they are considered to be Level 3 inputs in the fair value hierarchy.

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 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. SAR ceased to exist after January 2023.

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 the People's Republic of China (PRC), 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) and losses were $(7) and $31 for the years ended December 31, 2023 and 2022, respectively.

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 130 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 $7 and $6 for the years ended December 31, 2023 and 2022, 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 $6 for the years ended December 31, 2023 and 2022, respectively. Deductions arising from customer claims were less than $1 for each of the years ended December 31, 2023 and 2022.

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 $8 for each of the years ended December 31, 2023 and 2022, 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 $29 for the years ended December 31, 2023 and 2022, 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.

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

31 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 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.

Government Assistance

The Company adopted this new accounting disclosure rule effective December 31, 2022. The new accounting rule requires companies to disclose information about the nature of the transactions and the related accounting policy used to account for the transactions; the line items on the consolidated balance sheets and consolidated statement of operations that are affected by the transactions, and the amount applicable to each financial statement line item; and significant terms and conditions of the transactions, including commitments and contingencies, where applicable. The sum of all government assistance received by the Company was less than $1 for the year ended December 31, 2023, and $1 for year ended December 31, 2022, of which the most significant component was employment related subsidies for our legal entities operating in Asia and Europe. The direct and indirect impacts of government assistance transactions are reflected within cost of goods sold and other operating expenses on the Consolidated Statement of Operations and Comprehensive Income (Loss).

Supplier Finance Program

The Company has arranged a supplier finance program ("SFP") with a financial intermediary, which provides certain suppliers to be paid by the financial intermediary on the due date for applicable invoices. The Company and the financial intermediary entered into an arrangement providing for the Company to pay the financial intermediary per the agreement term of 120 days. There is no annual fee for the supplier finance platform subscription and related support and the agreement with the financial intermediary does not require the Company to provide assets pledged as security or other forms of guarantees for the SFP. The arrangement includes variable interest and use of the U.S. inflation index to adjust the interest rate. The outstanding obligations confirmed under the SFP were $8 and $7 at December 31, 2023 and 2022, respectively. During the current year, $22 new obligations were added to the program and $21 were settled. Amounts due to the Company's suppliers in the SFP are included in "Current Debt" within the Consolidated Balance Sheets and obligations and payments made under the program are reflected in Cash flows from financing activities in the Company's Consolidated Statements of Cash Flows.

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, 2023, the Company employed approximately 2,500 employees. Of these employees, 48% were represented by labor unions, with 60% 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 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.

(Amounts in millions of U.S. dollars, except as noted)

Recently issued accounting standards

Recently adopted accounting standards

The Company has adopted the following guidance change as part of the consolidated financial statements for the year ended December 31, 2023.

In September 2022, the FASB issued ASU 2022-04, "Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations." The new accounting rules create certain disclosure requirements for a buyer in a supplier finance program and require qualitative and quantitative disclosures including key terms of the program, balance sheet presentation of related amounts, and the obligation amount the buyer has confirmed as valid to the finance provider, including a rollforward of the obligation. Only the amount of the obligation outstanding is required to be disclosed in interim periods. The accounting rules do not impact the recognition, measurement, or financial statement presentation of supplier finance program obligations. The guidance is effective for the Company in fiscal years beginning after December 15, 2022. The Company has adopted the guidance effective January 1, 2023. The adoption of this ASU did not have any financial impact on the consolidated financial statements.

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, 2023.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." For entities other than public business entities, a qualitative disclosure of the nature and effect of the categories of items listed in the ASU is required along with the individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The ASU requires that all entities annually disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign jurisdictions. This guidance will be effective for fiscal years beginning after December 15, 2025, and for interim periods beginning with fiscal years beginning after December 15, 2026. While the new accounting rules will not have an impact on our financial condition, results of operations or cash flows, the Company is currently evaluating the impact the new accounting rules will have on the disclosures included in the notes to the consolidated financial statements beginning with the first quarter of 2026.

3. Receivables, net

	December 31, 2023	December 31, 2022
Trade accounts receivables	$ 101	$ 99
Receivables, non-trade [(1)]	17	22
	118	121
Less: allowance for doubtful accounts	(1)	(2)
	$ 117	$ 119

(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.

(Amounts in millions of U.S. dollars, except as noted)

4. Inventories, net

	December 31, 2023	December 31, 2022
Raw materials	$ 50	$ 76
Work in process	5	10
Finished goods	104	152
	159	238
Supplies	16	16
	175	254
Reserves	(5)	(6)
	$ 170	$ 248

5. Long-lived assets

Property, plant and equipment, net

	December 31, 2023	December 31, 2022
Land	$ 41	$ 39
Buildings, plants and improvements	101	100
Machinery and equipment	340	336
Furniture, fixtures and other	6	6
Construction in progress	13	12
	501	493
Less: accumulated depreciation	(256)	(219)
	$ 245	$ 274

Depreciation expense was $38 and $55 for the years ended December 31, 2023 and 2022, 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).

6. Goodwill and other intangible assets, net

The carrying value of goodwill is as follows:

	Balance at December 31, 2021	Impairment	Balance at December 31, 2022	Impairment	Balance at December 31, 2023
Goodwill	$ 953	$ (326)	$ 627	$ (293)	$ 334

During 2023, the Company concluded that it was more likely than not that the fair value of its indefinite-lived intangible assets and goodwill was less than the carrying value as a result of increased interest rates and unfavorable market conditions in 2023 and proceeded to perform a quantitative test of its indefinite-lived trade name intangible assets. A quantitative test under the relief from royalty method was completed which determined the carrying value of the trade name intangible assets was impaired by $118. A significant assumption used in the relief from royalty method was a royalty rate avoidance factor of 3.45%. The next step was to perform a recoverability test for long-lived assets, including right-of-use assets and developed technology intangible assets, using the undiscounted future cash flows expected to result from the use and eventual disposition of the assets which determined the assets were not impaired. A goodwill impairment analysis was then performed, resulting in a $293 impairment that was recorded for the Company's one reporting unit, apparel, as of December 31, 2023, of which $24 was attributed to the noncontrolling interest. The fair value of goodwill was determined based on a discounted cash flow model under the income approach and guideline public company multiples under the market approach. Significant assumptions in the discounted cash flow model include revenue growth rates and future profit margins based on operation forecasts, asset utilization, and cost of capital. A discount rate of 14% was utilized, representing the Company's weighted average cost of capital. The Company engaged third party valuation specialists to assist with the quantitative impairment assessments.

(Amounts in millions of U.S. dollars, except as noted)

During 2022, the Company concluded that it was more likely than not that the fair value of its indefinite-lived intangible assets and goodwill was less than the carrying value as a result of increased interest rates and unfavorable market conditions in 2022 and proceeded to perform a quantitative test of its indefinite-lived trade name intangible assets. A quantitative test, under the relief from royalty method, was completed which determined the carrying value of the trade name intangible assets was not impaired. A significant assumption used in the relief from royalty method was a royalty rate avoidance factor of 3.45%. The next step was to perform a recoverability test for long-lived assets, including right-of-use assets and developed technology intangible assets, using the undiscounted future cash flows expected to result from the use and eventual disposition of the assets which determined the assets were not impaired. A goodwill impairment analysis was then performed, resulting in $326 impairment that was recorded for the Company's one reporting unit, apparel, as of December 31, 2022, of which $17 was attributed to the noncontrolling interest. The fair value of goodwill was determined based on a discounted cash flow model under the income approach and guideline public company multiples under the market approach. Significant assumptions in the discounted cash flow model include revenue growth rates and future profit margins based on operation forecasts, asset utilization, and cost of capital. A discount rate of 14% was utilized, representing the Company's weighted average cost of capital. The Company engaged third party valuation specialists to assist with the quantitative impairment assessments.

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

	December 31, 2023				December 31, 2022		
	Gross	**Accumulated amortization**	**Impairment**	**Net**	**Gross**	**Accumulated amortization**	**Net**
Definite-lived intangible assets							
Developed technology	$ 93	$ (44)	$ —	$ 49	$ 93	$ (34)	$ 59
Customer relationships	26	(12)	—	14	26	(10)	16
	119	(56)	—	63	119	(44)	75
Indefinite-lived intangible assets							
Trade name portfolio	390	—	(118)	272	390	—	390
	$ 509	$ (56)	$ (118)	$ 335	$ 509	$ (44)	$ 465

The expense charged to operations for amortization of intangible assets was $12 for each of the years ended December 31, 2023 and 2022, 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 6 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 the PRC. The entities, Toray Opelontex Co., Ltd.; ISH-Toray Pte. Ltd.; and Shinpont Industry Inc., are 50% owned by the Company. The Company has an investment in the Laika New Material (Foshan) Co. Ltd. ("Laika") entity for which the ownership percentage is being legally disputed in the PRC. The minimum ownership percentages and the Company's lack of control over the operations and assets of Laika indicate it is appropriate to account for the Laika investment under the equity method. See *Laika Joint Venture* below for further information. 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 $136 and $137 at years ended December 31, 2023 and 2022, respectively.

Laika Joint Venture

On August 3, 2021, the Company established a joint venture, Laika, with Jining Ruyi Wanzhong Venture Capital Management Partnership ("Wanzhong"), a related party at the time of Laika's formation, for the purpose of acquiring additional spandex manufacturing capacity from Jining Ruyi High-tech Fiber Material Co., Ltd, a related party at the time of Laika's formation, in the PRC. 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 ("Additional Contribution") on or before 2054. In December 2021, the formation documents for Laika were amended to effect a transfer of 26.4% of the Company's subscribed equity interests in Laika to Wanzhong, resulting in the Company holding 38.6% equity based on their $30 cash contribution and removing the Company' requirement to make the Additional Contribution. The formation documents were subsequently amended to affect a capital increase in Laika ("Capital Increase Agreement") 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 Requirement"). The Subsequent Contribution Requirement has not been made by the Company and is currently subject to an on-going dispute between the Company and Wanzhong. As of December 31, 2023, and 2022, the Subsequent Contribution Requirement has not been recorded on our Consolidated Balance Sheets as the Company does not anticipate it will be legally required to make this contribution based on the expected resolution of the on-going legal disputes. 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 used its initial contribution amount as the best information available and recorded the equity method investment at $30 on the consolidated balance sheet at December 31, 2021. Subsequent to December 31, 2021, the Company has become aware of information through on-going litigation with Wanzhong and public information available in the PRC that indicates the Laika investment is other-than-temporarily impaired and has recorded an impairment loss of $30 during the year ended December 31, 2022. As of December 31, 2023, and 2022, the Company has recorded the investment in Laika at its estimated fair value of $0. The amounts recorded and disclosed by the Company could be subject to change as additional information becomes available to the Company and as on-going legal disputes are resolved. With the completion of the Enforcement Action and subsequent change of ownership effective June 28, 2022, Wanzhong and Jining Ruyi High-tech Fiber Materials Co., Ltd are no longer considered related parties. See Basis of presentation, included in Note 1 Description of business and basis of presentation, for further information on Revisions of Previously Issued Financial Statements.

(Amounts in millions of U.S. dollars, except as noted)

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	Total
Balance at December 31, 2022	$ 3	$ 1	$ 4
Operating expense	12	—	12
Cash payments	(12)	(1)	(13)
Balance at December 31, 2023	$ 3	—	3

For the year ended December 31, 2023, the restructuring expense includes costs associated with certain corporate actions.

For the year ended December 31, 2022, the restructuring expense includes $39 professional fees and other costs associated with the Enforcement Action and subsequent change of ownership, $1 severance costs, partially offset by a gain of $(3) upon extinguishment of the remaining ARO and termination of the ground lease at La Porte.

9. Indebtedness

	Interest Rate		Outstanding Amounts December 31,		
	Fixed	**Variable**	**2023**	**2022**	**Maturity Date**
Dollar Notes	7.5%	n/a	$ 705	$ 705	May 1, 2025
Exit Premium	n/a	n/a	19	19	May 1, 2025
Refinancing Notes	16.0%	n/a	362	—	May 1, 2025
Shareholder Loan	n/a	6%+Term SOFR	18	27	April 1, 2025
Super Senior Term Loan	n/a	9%+Term SOFR	156	—	February 1, 2025
Bank Borrowings	n/a	7.16%-10.45%	8	7	Rolling 120 days
Euro Notes	5.38%	n/a	—	266	May 1, 2023
RCF	n/a	3.75% + LIBOR	—	100	March 1, 2023
Total financing agreements			$ 1,268	$ 1,124	
Less: discounts			(65)	(27)	
Less: current debt			(26)	(300)	
Less: deferred financing costs			(19)	(13)	
Total long-term debt, net			$ 1,158	$ 784	

Bank Borrowings

The Company has established an unsecured, short-term borrowing ("Bank Borrowings") with a financial institution in Brazil to cover imports of raw materials. The borrowing arrangement includes variable interest and uses the U.S. inflation index to adjust the interest rate which averaged 9.50% for borrowings outstanding at December 31, 2023.

Shareholder Loan

The Company entered into a loan note facility agreement ("Shareholder Loan") on October 18, 2022 with certain shareholders of Eagle Super. Under the terms of the agreement, the shareholders will provide one or more loans in an aggregate amount of up to $35. Interest is calculated and payable on each loan by reference to interest periods. Each interest period relating to any loan is of three months duration, provided that: (i) each loan has interest period commencing on its utilization date (date on which the relevant loan is to be made); and (ii) no interest period in relation to a loan extends beyond the maturity date of the applicable facility. The rate of interest applicable on each loan for each interest period is the rate per annum which is the aggregate of the applicable margin (6% per annum) and reference rate (the applicable Term SOFR) payable quarterly in arrears.

The total utilization of the Shareholder Loan was $28, of which $10 was repaid in December 2023, at 11.387% (the "First Scheduled Shareholder Loan Repayment"). In connection with the Standstill Agreement (refer to the Refinancing Notes section below for additional information about the Standstill Agreement), the remaining $18 utilization as of December 31, 2023 is to be repaid as follows: (i) $10 on June 30, 2024, and (ii) the balance of $8 on December 31, 2024, in each case subject to the Company's group having aggregate available cash balances of at least $40 pro forma for such repayments (the "Minimum Cash Balance") (with partial repayments and any catch up payments required where the Company's group does not have the requisite Minimum Cash Balance). Notwithstanding the foregoing, the termination date of the Shareholder Loan is April 1, 2025.

The Company had outstanding bank guarantees, surety bonds, and letters of credit of $18 and $9 at December 31, 2023 and 2022, respectively. The bank guarantees, surety bonds, and letters of credit are related to import duties, value added taxes, insurance policies, and other contracts.

Dollar Notes and Euro Notes

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").

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 Company incurred financing costs of approximately $48 that were directly associated with the issuance of these notes and included in the carrying amount of these notes and amortized over the term of these 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 $8, net of FX remeasurement, at December 31, 2023. The amortization of the financing costs, which was $5 for each of the years ended December 31, 2023 and 2022, is presented in "Interest expense, net" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

The indenture for the Notes contains provisions around change-in-control events, including that the Notes could be put early by investors. The Enforcement Proceedings qualified as a change-in-control event, triggering provisions within the Note agreement. In accordance with the terms of the Notes, each noteholder would have had the right, but not an obligation, to require the Company to repurchase all or part of the Notes at a premium, 101% of the principal amount, plus accrued and unpaid interest. A waiver was provided by the requisite majority of the Notes to waive the requirement that the Company make an offer for the Notes.

As part of the Enforcement Proceedings the Dollar Notes, due May 2025, increased $15. The additional Dollar Notes were issued on June 8, 2022, with accrued interest from May 24, 2022. In addition, a $19 non-interest-bearing obligation agreement ("Exit Premium") was entered into with certain of the senior secured note holders in June 2022. The payment is contingent upon either (i) an "exit" (as defined in the relevant instrument), (ii) refinancing or repayment of the Dollar Notes, (iii) an insolvency event (as defined in the relevant instrument), or (iv) May 1, 2025. In each case, the increase in debt did not result in additional cash proceeds received by the Company. Any applicable repurchase obligation or an acceleration event of any indebtedness could adversely impact our business, financial condition, or results of operations.

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, 2023 is estimated at $428 for the Dollar Notes based on active market trading data and is thus determined under Level 1 of the fair value hierarchy.

Effective May 1, 2023, the Euro Notes were repaid in full at their maturity upon the issuance of the Refinancing Notes (refer to section below for additional information about the Refinancing Notes). The funds were deposited by the Dutch Company with Deutsche Bank AG, London Branch, the paying agent of the Euro Notes, and the redemption payments were delivered by the paying agent to holders in accordance with the terms of the indenture governing the Euro Notes. Costs deemed to have been paid on behalf of the Euro Note creditors amounted to $8 and have been recognized as a loss on extinguishment. The loss on extinguishment is presented in "Other (income) expense, net" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Refinancing Notes

On May 1, 2023, the Company announced the entry into a new indenture, dated as of April 25, 2023 (the "Refinancing Notes Indenture") by and among Eagle UK Finance Limited (the "Refinancing Notes Issuer"), a private limited company incorporated under the law of Jersey, Parent, Eagle Intermediate Global Holding B.V. (the "Dutch Co-Issuer"), Eagle US Finance LLC (the "U.S. Co-Issuer"), the other guarantors party thereto, Kroll Trustee Services Limited, as trustee, Elavon Financial Services DAC, UK Branch, as initial paying agent and authenticating agent, and Elavon Financial Services DAC, as registrar and transfer agent, pursuant to which the Refinancing Notes Issuer issued €300 aggregate principal amount of 16.000% senior secured notes due 2025 (the "Refinancing Notes") at an aggregate purchase price of €240 with an original issue discount ("OID") of €60, which is being amortized over the term of the Refinancing Notes using the effective interest rate method. The Refinancing Notes mature on April 1, 2025. Contemporaneously with the issuance of the Refinancing Notes, an OID refund letter was entered into between the Refinancing Notes Issuer and Linx Capital Limited allowing for amounts approximating the OID to offset the Refinancing Notes upon final redemption ("OID Refund"). The OID refund letter states the OID Refund is available except upon bankruptcy. No value was assigned to the OID Refund at December 31, 2023.

Interest on the Refinancing Notes is payable quarterly in arrears at a rate of 16.00% per annum. Subject to amendment, (i) interest is initially fully payable-in-kind and (ii) for interest payment dates on or after August

1, 2024, interest is payable 5.00% in cash and 11.00% PIK. The PIK interest for the eight months ended December 31, 2023, was $36.

The Company incurred financing costs of approximately $13 that were directly associated with the issuance of the Refinancing Notes which are included in the carrying amount and are being amortized over the term 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 $9 at December 31, 2023. The amortization of the discount and financing costs, which was $25 for the eight months ended December 31, 2023, is presented in "Interest expense, net" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

On July 28, 2023 the Company entered into a standstill and lock-up agreement, dated as of July 28, 2023 (the "Standstill Agreement"), by and among Eagle Super, Eagle Intermediate Global Holding B.V. (the "Dutch Issuer"), Eagle US Finance LLC ("the "U.S. Issuer" and together with the Dutch Issuer, the "Co-Issuers") Eagle Finance UK Limited (the "Refinancing Notes Issuer" and collectively with Eagle Super, the Dutch Issuer, the U.S. Issuer and Refinancing Notes Issuer, the "Company Parties", Eagle Investments, Linx Capital Limited (the "Orphan Issuer"), certain shareholders of Eagle Investments, certain holders of the 7.500% senior secured notes issued by the Co-Issuers and due May 2025 (the "Dollar Notes"), certain lenders under the Dutch Issuer's outstanding $28 Shareholder Loan, certain lenders under the Dutch Issuer's outstanding super senior term loan dated March 1, 2023 (the "ssTL") and certain holders of first lien notes due May 2025 issued by the Orphan Issuer and second lien notes due May 2025 issued by the Orphan Issuer.

In connection with the Standstill Agreement, certain amendments to the Refinancing Notes Indenture became effective on August 25, 2023 and include: (i) granting of priority in the payment waterfall of the $120 of the Refinancing Notes due April 2025; and (ii) certain limited amendments to the Refinancing Notes Indenture, including the repayment of €5 in aggregate principal amount plus accrued and unpaid interest. In September 2023, the Refinancing Notes Issuer redeemed €2.5 in aggregate principal amount of the notes at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest. Another redemption of €2.5 in aggregate principal amount of the notes at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest was completed in October 2023.

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 Refinancing Notes is estimated at $280 using pricing data relevant to a similar debt issuance obtained from external sources and is thus determined under Level 2 of the fair value hierarchy.

Super Senior Term Loan (ssTL)

The ssTL was initiated upon full repayment of the RCF on March 1, 2023. The principal amount under the ssTL was $109, including an OID of $8, which is being amortized over the term of the loan using the effective interest rate method. The ssTL benefits from the same super-priority recovery provisions as the former RCF. Borrowings under the ssTL will otherwise rank pari passu in right of lien and payment but ahead in the proceeds of enforcement of security with the Company's existing and future first lien secured indebtedness. The ssTL has a maturity date of February 1, 2025.

In April 2023, the Company upsized the ssTL by $30 for a total of $139 in accordance with the initial terms and conditions of the ssTL. Loans under the ssTL bear interest:

- in respect of any loan for which its interest period commences before the First Scheduled Shareholder Loan Repayment, at the option of the Company, (i) at a rate equal to Term SOFR plus 8.0% per year, payable in cash, or (ii) Term SOFR plus 9.0% per year, payable-in-kind ("PIK"). The PIK interest for the ten months ended December 31, 2023, was $17 based on an average rate of 14.196%; and
- in respect of any loan for which its interest period commences after the First Scheduled Shareholder Loan Repayment, at a rate equal to Term SOFR plus 9.0% per year, PIK.

At December 31, 2023, the Company was in compliance with its minimum liquidity requirement.

The Company incurred financing costs of approximately $4 that were directly associated with the issuance of the ssTL, which are included in the carrying amount of the loan and are being amortized over the term of the loan 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 $2 at December 31, 2023. The amortization of the discount and financing costs, which was $5 for the ten months ended December 31, 2023 is presented in "Interest expense, net" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Revolving Credit Facility (RCF)

In May 2018, the Company entered into a senior cash flow revolver facility agreement, 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, 2022. Borrowings under the RCF were subject to interest at the matched term LIBOR index plus an applicable margin.

On March 1, 2023, the Company repaid in full its RCF, including accrued and unpaid interest and entered into a new super senior term loan facility agreement among the Company, Kroll Agency Services Limited, as agent, and the lenders party thereto.

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 less than $1 for each of the years ended December 31, 2023 and 2022.

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.

(Amounts in millions of U.S. dollars, except as noted)

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	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Change in benefit obligation						
Benefit obligation at beginning of year	$ 18	$ 23	$ 1	$ 1	$ 19	$ 24
Service cost	—	1	—	—	—	1
Interest cost	2	1	—	—	2	1
Plan curtailments/settlements	(1)	—	—	—	(1)	—
Actuarial (gain) loss	6	(5)	—	—	6	(5)
Benefits paid	(2)	(3)	—	—	(2)	(3)
FX (gain) loss	2	1	—	—	2	1
Benefit obligation at end of year	25	18	1	1	26	19
Change in plan assets						
Fair value of plan assets at beginning of year	14	16	—	—	14	16
Actual return on plan assets	1	—	—	—	1	—
Plan settlements	(1)	—	—	—	(1)	—
Benefits paid	(2)	(3)	—	—	(2)	(3)
FX (gain) loss	2	1	—	—	2	1
Fair value of plan assets at end of year	14	14	—	—	14	14
Amounts recognized in the Combined Balance Sheets						
Other assets	—	1	—	—	—	1
Pension and other postretirement benefit liabilities	(11)	(5)	(1)	(1)	(12)	(6)
Net liability recognized (funded status)	$ (11)	$ (4)	$ (1)	$ (1)	$ (12)	$ (5)
Amounts recognized in Accumulated other comprehensive income						
Actuarial (gain)	(3)	(10)	(1)	(1)	(4)	(11)
Net accumulated other comprehensive (income) recognized	$ (3)	$ (10)	$ (1)	$ (1)	$ (4)	$ (11)

(Amounts in millions of U.S. dollars, except as noted)

	Pension benefits	
	Non-U.S. pensions	
	2023	2022
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligations	$ 23	$ 6
Plan assets	$ 13	$ 1
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligations	$ 24	$ 7
Plan assets	$ 13	$ 1
Accumulated benefit obligation	$ 23	$ 17

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, 2023 and 2022 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	
	2023	2022	2023	2022
Net periodic expense (Non-U.S. plans)				
Service cost	$ —	$ 1	$ —	$ —
Interest cost	2	1	—	—
Expected return on assets	(1)	(1)	—	—
Recognized net losses	(1)	—	—	—
Cost of special events	(2)	(1)	—	—
Total net periodic expense (Non-U.S. plans)	$ (2)	$ —	$ —	$ —

Assumptions

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

	Pension benefits Non-U.S. pensions 2023	Other post-retirement benefits 2023	Pension benefits Non-U.S. pensions 2022	Other post-retirement benefits 2022
Discount rate	1.3% - 9.0%	3.3% - 10.2%	0.9% - 9.8%	3.8% - 10.4%
Rate of compensation increase	2.0% - 5.5%	4.8%	2.0% - 5.1%	4.0%

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

	Pension benefits Non-U.S. pensions 2023	Other post-retirement benefits 2023	Pension benefits Non-U.S. pensions 2022	Other post-retirement benefits 2022
Discount rate	2.2% - 10.4%	3.8% - 10.4%	0.3% - 9.4%	0.7% - 9.4%
Expected return on assets	2.5% - 8.3%	n/a	2.5% - 9.2%	n/a
Rate of compensation increase	2.0% - 5.5%	4.0%	2.0% - 5.5%	4.0%

(Amounts in millions of U.S. dollars, except as noted)

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:

	2023	**2022**
Health care cost trend rate assumed for following year	7.9%	8.4%
Rate to which the cost trend rate is assumed to decline (ultimate rate)	5.6%	5.3%
Year that the trend rate reaches the ultimate rate	2032	2033

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 99% fixed income securities and 1% other.

The fair values of the Company's pension plan assets by asset category for the years ended December 31, 2023 and 2022 are as follows:

	Non-U.S. plan assets							
	December 31, 2023				December 31, 2022			
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
U.S. equity (2)	—	—	—	—	—	—	—	—
Developed international equity (3)	—	—	—	—	—	—	—	3
Emerging market equity (4)	—	—	—	—	—	—	—	2
Fixed income securities (5)	—	—	—	13	—	—	—	5
Opportunities (6)	—	—	—	—	—	—	—	—
Private equity funds (7)	—	—	—	—	—	—	—	—
	$ —	$ —	$ —	$ 13	$ 2	$ —	$ —	$ 12

(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).

Funding expectations

In 2024, the Company expects to contribute approximately $1 and $0 to pension and other post-retirement benefit plans, respectively.

(Amounts in millions of U.S. dollars, except as noted)

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
2024	$ 2	$ —
2025	2	—
2026	2	—
2027	2	—
2028	2	—
2029-2033	13	—
	$ 23	$ —

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 $7 for each of the years ended December 31, 2023 and 2022.

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.

SAR of 49,250 and 80,813 vested during the years ended December 31, 2023 and 2022 respectively. SAR ceased to exist after January 2023 at the end of the Plan's terms. The conditions for the Performance-based SAR were not realized and the balance remains unvested.

(Amounts in millions of U.S. dollars, except as noted)

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 $0 and $1 for the years ended December 31, 2023 and 2022, 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 for each of the years ended December 31, 2023 and 2022, 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, 2023 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, 2022	203,250	$ 20.19	54,250	$ 22.18
Granted	—	—	—	—
Vested	—	—	(49,250)	(22.18)
Forfeited	—	—	(5,000)	(22.18)
Unvested balance at December 31, 2023	203,250	$ 20.19	—	$ 22.18

12. Interest expense, net

	Year Ended December 31,	
	2023	2022
Interest charges [(1)]	$ 111	$ 67
Amortization of financing fees [(2)]	48	15
Interest on revolving credit facility	2	5
Other interest expense	5	1
Interest (income)	(2)	(1)
	$ 164	$ 87

(Amounts in millions of U.S. dollars, except as noted)

(1) Includes interest charges on the Dollar Notes, Euro Notes, Refinancing Notes, and ssTL.

(2) Includes amortization of discounts and deferred financing fees associated with all debt arrangements.

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, 2023 and 2022:

	Year ended December 31,	
	2023	2022
Current		
Netherlands	$ —	$ —
Foreign	19	22
	19	22
Deferred		
Netherlands	—	—
Foreign	(4)	(16)
	(4)	(16)
Income tax expense (benefit)	$ 15	$ 6

Income tax expense included in "Other comprehensive loss, net of tax" in the Consolidated Statement of Operations and Comprehensive Income (Loss) was less than $1 for each of the years ended December 31, 2023 and 2022.

For 2023 and 2022, the Company's effective tax rate differed from the 25.8% statutory Netherlands tax rate. This is primarily due to valuation allowances, non-deductible expenses, non-includable book income items, and lower statutory rates in other jurisdictions.

The tax effects of the temporary differences that give rise to significant portions of the net deferred tax assets at December 31, 2023 and December 31, 2022 are as follows:

	December 31,	
	2023	2022
Gross deferred tax assets	$ 386	$ 299
Valuation allowance	(348)	(258)
Deferred tax assets	38	41
Deferred tax liabilities	(58)	(65)
Net deferred tax liabilities	$ (20)	$ (24)

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, goodwill and intangible assets 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 operates 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 2022, the Company generated an operating loss, and 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 $258 at December 31, 2022. This put the Company in a net deferred tax liability position in the amount of $(24) at December 31, 2022. The Company generated an operating loss and remains in a cumulative loss position as of December 31, 2023. 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, 2023 of $348 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, 2023 net deferred liability position in the amount of $(20).

The Company has net operating loss carry forwards and credits of approximately $42 that expire over the next 10 years and $150 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.

The Company's operations are included in multiple tax returns filed in many foreign and state jurisdictions. The Company is subject to income tax examinations by foreign and state jurisdictions for years 2017 through 2023.

In 2021, the Organization for Economic Cooperation and Development (OECD) introduced the Framework for Pillar 2, aimed at addressing base erosion and profit shifting gaps. When implemented by OECD members this would generally impose a global 15% minimum tax on large multinational companies. The European Union and several other countries have agreed to implement portions of the OECD's Pillar 2 into legislation beginning in 2024 and 2025. The Company is reviewing and adjusting our tax policies in accordance with OECD recommendations, ensuring transparency and compliance with the new standards. For the Company, this will be mandatory for 2024. We are in the process of assessing the potential impact. The Company is committed to closely monitoring additional OECD guidance related to Pillar 2 and adjusting our practices as necessary to recognize the provision in the financial statements to ensure proper disclosure of related financial impacts. We will continue to collaborate with tax authorities and the international community to ensure compliance with standards.

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. and Shinpont Industry, Inc. have been considered related parties. However, with the completion of the Enforcement Action and subsequent change of ownership, Koch and Itochu are no longer considered as related parties, effective June 28, 2022.

Significant customers

No single customer accounted for greater than 10% of sales for year ended December 31 2023. Sales to Kimberly-Clark Corporation and subsidiaries accounted for 10.2% of total sales for the year ended December 31, 2022.

Purchases from related parties

The Company has an agreement to purchase 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 $38 and $42 for the years ended December 31, 2023 and 2022, respectively. Related party payable balances reflected in "Payables" in the Consolidated Balance Sheets are $10 and $6 at December 31, 2023 and 2022, respectively.

Sales to related parties

The Company provides goods and services to Toray Opelontex Co. Ltd., and Itochu. 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 $3 and $16 for the years ended December 31, 2023 and 2022, respectively. Related party receivable balances reflected in "Receivables, net" in the Consolidated Balance Sheets are less than $1 at December 31, 2023 and 2022.

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 Eagle U.S. Finance LLC (f/k/a Ruyi US Finance LLC) (together 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.

With the completion of the Enforcement Action and subsequent change of ownership, effective June 28, 2022, Jining Ruyi is no longer a related party and therefore payment or recovery under these commitment letters is unlikely.

Shareholder Loan

The Company entered into a Shareholder Loan on October 18, 2022 with certain shareholders of Eagle Super. The Shareholder Loan is secured and ranks pari passu in right of payment and lien priority with the Issuers' outstanding Notes. The Shareholder Loan bears interest at a rate per annum equal in aggregate to three-month term SOFR (subject to a 2.5% floor), plus 6.0%, payable quarterly in arrears. The maturity date of each loan is December 31, 2024. The total utilization of the Shareholder Loan at December 31, 2023, is $18. Refer to Note 9 "Indebtedness" for more details.

(Amounts in millions of U.S. dollars, except as noted)

15. Leases

The components of lease cost for the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31,	
	2023	**2022**
Operating lease cost	$ 6	$ 7
Finance lease cost	1	—
Short-term lease cost	1	—
Variable lease cost	—	1
Total	$ 8	8

Operating and finance lease liabilities cash flow information for the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31,	
	2023	**2022**
Cash paid for amounts included in the measurement of finance lease liabilities	$ 1	$ —
Finance lease liabilities arising from obtaining ROU assets	$ 7	$ —
Cash paid for amounts included in the measurement of operating lease liabilities	$ 6	$ 6
Operating lease liabilities arising from obtaining ROU assets	$ 1	$ 1

Supplemental balance sheet information related to leases as of the years ended December 31, 2023 and 2022 are as follows:

	December 31, 2023	**December 31, 2022**
Weighted average remaining lease term	15 years	16 years
Weighted average discount rate	3.44%	3.38%

(Amounts in millions of U.S. dollars, except as noted)

As of December 31, 2023 and 2022, future maturities of lease liabilities are as follows:

	December 31, 2023	December 31, 2022
1 year	$ 6	$ 6
2 years	4	5
3 years	4	3
4 years	4	3
5 years	3	3
Thereafter	23	22
Total lease payments	44	42
Less: imputed interest	(8)	(8)
Total lease liabilities	36	34
Less: current obligations	(5)	(5)
Long-term lease obligations	$ 31	$ 29

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, 2023 and 2022.

16. Obligations and contingent liabilities

Future minimum purchase obligations are as follows:

Maturity period	Purchase obligations
2024	$ 18
2025	8
2026	4
2027	2
2028	1

17. Subsequent events

The Company has completed an evaluation of all subsequent events through March 28, 2024, the date its audited consolidated financial statements were available to be issued, and concluded that no subsequent events occurred that required recognition.