QUARTERLY REPORT

For the period ended September 30, 2023

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

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The LYCRA Company
Certain References

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

- "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.
- "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

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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.

- "Guarantees" refers to the guarantees of the Issuers' obligations under the Indentures and the Notes by the Guarantors.

- "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 LYCRA Company's polyurethane intermediates manufacturing facility located in La Porte, Texas, which was shut down in October 2020.

- "Laika" means Laika New Material (Foshan) Co., Ltd., a majority-owned joint venture.

- "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.

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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, as 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 entered into on October 18, 2022, by the Dutch Co-Issuer, as Borrower, and the U.S. Co-Issuer, as a Guarantor, with certain shareholders as lenders.

- “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 entered on March 1, 2023, upon full repayment of the RCF, and amended thereafter pursuant to an amendment

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letter dated April 25, 2023, between, among others, Dutch Co-Issuer, certain lenders and Kroll Agency Services Limited, as agent. 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.

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Forward-Looking Statements

Certain of the statements made in this quarterly report may be considered to be "forward-looking statements" within the meaning of 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 quarterly 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 quarterly report and in the "Risk Factors" section of our annual report for the fiscal year ended December 31, 2022. Those factors should not be construed as exhaustive and should be read with the other cautionary statements in this quarterly report.

In light of these risks, uncertainties, and assumptions, the forward-looking events described in this quarterly 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 quarterly report. These are factors that we think would cause our actual results to differ materially from expected results. Other sections of this quarterly 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.

The LYCRA Company

Use of Non-GAAP Financial Measures

Non-GAAP Financial Measures

In this quarterly 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 quarterly 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 quarterly 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.

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The LYCRA Company

Risk Factors

In addition to the other information set forth in this quarterly report, you should carefully consider the "Risk Factors" in our annual report for the fiscal year ended December 31, 2022. There have been no material changes from the "Risk Factors" previously disclosed in our annual report for the fiscal year ended December 31, 2022.

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The LYCRA Company

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

(Amounts in millions of U.S. dollars)

The statements in the following discussion and analysis of financial condition and results of operations regarding industry outlook, our expectations regarding the performance of our business, and other forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Forward-Looking Statements," "Use of Non-GAAP Financial Measures," and the section entitled "Risk Factors" in this quarterly 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 unaudited condensed interim consolidated financial statements included elsewhere in this quarterly report.

Overview

The Company innovates and produces fiber and technology solutions for the apparel and personal care industries. Headquartered in Wilmington, Delaware, the Company is recognized worldwide for its innovative products, technical expertise, sustainable solutions, and unmatched marketing support. The Company owns leading consumer and trade brands: LYCRA®, LYCRA HyFit®, LYCRA® T400®, COOLMAX®, THERMOLITE®, ELASPAN®, SUPPLEX® and TACTEL®. The Company's legacy stretches back to 1958 with the invention of the original spandex yarn, LYCRA® fiber. Today, the Company 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 at the top of their competitive set in the cooling and warming space. We maintain and actively defend a portfolio of approximately 800 patents which 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. As a result of incorporating our product innovations, garments are better-fitting and more durable, delivering fit, shape, and comfort that lasts. Successful product innovations include LYCRA® XTRA LIFE™, a swimwear fiber that is more durable than unprotected spandex, LYCRA® FUSION™ Technology, delivering elastic performance that prevents runs and tears in pantyhose, and LYCRA® dualFX® Technology, delivering superior stretch and recovery in denim. In addition, new products continue to replace our prior product offerings with LYCRA® and LYCRA HyFit® fiber products introduced between 2012 and 2022 accounting for approximately 81% of our LYCRA® and LYCRA HyFit® fiber sales.

Some of our most recent products include LYCRA® FitSense™ technology, a revolutionary innovation that transforms garments by adding lightweight, targeted support exactly where needed, LYCRA® ADAPTIV fiber, a patent-pending fiber that allows garments to have a better fit for different body types delivering on the need for inclusive sizing, and LYCRA EnviroFit™ fiber, a polymer which enables a reduction in fiber weight while maintaining performance and quality for personal care products.

We also offer a variety of recycled fiber solutions made from pre-and post-consumer content under our family of brands known as LYCRA® EcoMade, COOLMAX® EcoMade, LYCRA® T400® EcoMade, and THERMOLITE® EcoMade. Our primary focus is to help advance the circular economy as we look to develop products and processes that use less energy and resources. Today, our product portfolio includes recycled fibers made with textile waste. In addition, we continue developing new products that extend garment wear life, and thus reduce the carbon footprint.

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 with the consent of each of the lenders party thereto. 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 an ssTL Facility Agreement with the principal amount of $109, including an original issue discount of 7.00% and 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 with the Company's existing and future first lien secured indebtedness and it bears interest at the option of the Company, (i) at a rate equal to Term SOFR plus 8.00% per year, if paid in cash, or (ii) 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, pursuant of issuing 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 for the Euro Notes due 2023, at their maturities. The redemption payments were delivered by the paying agent to the holders of the Euro Notes on May 2, 2023, due to the bank holiday in London on May 1, 2023, and in accordance with the terms of the indenture governing the Euro Notes.

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.

Appointment of Certain Officers

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

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.

Departure of director or certain Officer

Effective September 8, 2023, Julien Born resigned from 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. While the Company has initiated a search for a new CEO, Dean Williams, the current Chief Financial Officer has performed the management functions of the CEO during the period.

See Note 16 *Subsequent events* within the Notes to the Condensed Interim Consolidated Financial Statements.

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The LYCRA Company

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

(Amounts in millions of U.S. dollars)

Significant factors that affect our results of operations

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 the economies and financial markets in 2020 as supply chains were disrupted and consumption declined partially due to lockdowns imposed by governments globally. Although global economies rebounded as COVID-19 vaccines became widely available and consumer demand recovered strongly, it continued to disrupt supply chains and results of business operations worldwide in 2021. 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 in the region, and contributed to production curtailments, increased logistics and energy costs, and lower sales volumes.

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

We are unable to predict the ultimate magnitude and duration of economic disruption from the COVID-19 pandemic and the more recent appearance of COVID-19 variants or the re-imposition or continuation of restrictive measures designed to combat the COVID-19 pandemic by national, regional, and local governments.

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 84% of the spandex ingredients cost for the three months ended September 30, 2023 and 2022, respectively (76% and 86% for the nine months ended September 30, 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. During the nine months ended September 30, 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.

In addition, we experienced rising energy costs at our manufacturing facilities throughout 2022. The increase in cost was primarily a result of higher natural gas, coal, and fuel oil prices, and we expect these higher prices will continue to subside for the remainder of 2023, however the prices will remain elevated as compared to periods prior to the third quarter of 2021. In addition, we have curtailed production at our manufacturing facilities during periods of weak demand which increases 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, our apparel end-use demand was significantly affected by the impact COVID-19 had on the apparel industry during the first half of 2020. Hygiene end-use demand grew as a result of the stockpiling behaviors following the outbreak of COVID-19, increasing sales of our LYCRA HyFit® fiber. Prior to the outbreak of COVID-19, the spandex fiber market grew as a result of global population growth, global gross domestic product growth, increased spandex penetration in both apparel and personal care products, and the creation of new end uses. Due to the COVID-19 pandemic, certain macro-economic trends, such as growth in the athleisure category and increased comfort expectation across garment categories, supported continued growth in demand for spandex products during 2021. In 2022, the spandex demand for premium products slowed down along with plummeting generic prices as compared to 2021. This was mainly driven by COVID-19 lockdowns which suppressed retail demand in the PRC, inventory rationalization in global textile value chain, as well as excessive new capacities that were mostly brought online during the first half of the year. Full year average generic prices were about 40% lower compared to 2021. The PRC market, in particular, was impacted by a resurgence of COVID-19 through January 2023 which slowed the recovery of the domestic retail sector. Overall, demand for premium spandex products has remained depressed in 2023.

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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. In 2019 and years prior, we 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. During 2020, we curtailed our productions to avoid building inventory due to weak demand following the outbreak of COVID-19. In 2021, demand exceeded pre-pandemic levels due to inventory build across the value chain and we operated at full production 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 61% and 75% for the three months ended September 30, 2023 and 2022, respectively (64% and 86% for the nine months ended September 30, 2023 and 2022, respectively). Significant reduction in the current year is 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 44% of our net sales for each of the three months ended September 30, 2023 and 2022 (47% and 43% for the nine months ended September 30, 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. For example, our decision to exit the TERATHANE® product line during 2020 supports our product mix strategy.

Price policy

Our differentiated products accounted for approximately 95% and 93% of total fiber sales for the three months ended September 30, 2023 and 2022, respectively (94% and 93% for the nine months ended September 30, 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 55% of our global sales for the three months ended September 30, 2023, were concentrated in four countries: the PRC (25%), the United States (17%), Brazil (8%), and Turkey (5%), compared to approximately 52% of our global sales for the three months

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ended September 30, 2022, concentrated in the PRC (19%), the United States (18%), Brazil (9%), and Italy (6%).

Approximately 54% of our global sales for the nine months ended September 30, 2023 where concentrated in four countries: the PRC (23%), the United States (17%), Brazil (8%), and Italy (6%), compared to approximately 48% of our global sales for the nine months ended September 30, 2022, were concentrated in the PRC (19%), the United States (15%), Italy (7%), and Brazil (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 each of the three and nine months ended September 30, 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 represent less than 1% of our total sales for the three and nine months ended September 30, 2023, and 0% and 2% of our total sales for the three and nine months ended September 30, 2022, respectively. 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 the 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 70% and 78% of our cost of goods sold and other operating expenses for the three months ended September 30, 2023 and 2022, respectively (69% and 79% for the nine months ended September 30, 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.

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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 of financing arrangements and other 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 the preliminary estimated losses recognized following an assessment triggered by the Enforcement Action and change of ownership in June 2022.

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 more than 50% ownership interest in Laika.

Pension non-service cost

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

Interest expense, net

Interest expense, net primarily includes interest associated with all debt arrangements including amortization of discounts and deferred financing fees.

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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.

Results of operations

Summary Combined Consolidated Financial Presentation

The following presentation reflects the summary unaudited condensed interim consolidated financial results for the three and nine months ended September 30, 2023 and 2022.

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Net sales	$ 217	$ 249	$ 622	$ 870
Sales to related parties	1	1	2	16
Total sales	218	250	624	886
Royalty and licensing income, net	—	1	2	4
Total revenue	218	251	626	890
Cost of goods sold and other operating expenses	175	217	520	745
Gross profit	43	34	106	145
Selling, general and administrative expenses	27	26	81	85
Research and development expenses	7	7	21	22
Restructuring (income) expense	11	8	17	34
Goodwill impairment	—	—	—	821
Other (income) expense, net	(14)	(31)	(3)	(66)
Operating income (loss)	12	24	(10)	(751)
Equity in (income) loss of affiliates	(1)	26	(4)	21
Pension non-service cost (benefit)	—	—	(2)	—
Interest expense, net	48	24	116	65
Income (loss) before income taxes	(35)	(26)	(120)	(837)
Income tax expense (benefit)	5	2	13	9
Consolidated net income (loss)	(40)	(28)	(133)	(846)
Net (income) loss attributable to noncontrolling interest	(1)	—	(1)	51
Net income (loss) attributable to The LYCRA Company	$ (41)	$ (28)	$ (134)	$ (795)

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Total sales

"Total sales" were $218 and $250 for the three months ended September 30, 2023 and 2022, respectively ($624 and $886 for the nine months ended September 30, 2023 and 2022, respectively). Lower sales in the current year are 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 $175 and $217 for the three months ended September 30, 2023 and 2022, respectively ($520 and $745 for the nine months ended September 30, 2023 and 2022, respectively). The current year decrease is primarily driven by sales volumes and lower raw material unit costs as a result of PTMEG prices.

Selling, general and administrative expenses

"Selling, general and administrative expenses" were $27 and $26 for the three months ended September 30, 2023 and 2022, respectively ($81 and $85 for the nine months ended September 30, 2023 and 2022, respectively).

Research and development expenses

"Research and development expenses" were $7 for each of the three months ended September 30, 2023 and 2022 ($21 and $22 for the nine months ended September 30, 2023 and 2022, respectively).

Restructuring (income) expense

"Restructuring (income) expense" was $11 and $8 for the three months ended September 30, 2023 and 2022, respectively. The current year expense primarily represents costs associated with the restructuring of financing arrangements. The prior year expense includes professional fees and other costs associated with the Enforcement Action and subsequent change of ownership.

"Restructuring (income) expense" was $17 and $34 for the nine months ended September 30, 2023 and 2022, respectively. The current year expense primarily represents costs associated with the restructuring of financing arrangements. The prior year expense includes $37 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 $0 for the three and nine months ended September 30, 2023. The prior year impairment charges represent management's preliminary estimate of the goodwill and other intangible assets impairment following the conclusion of the Enforcement Action in June 2022.

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Other (income) expense, net

"Other (income) expense, net" was $(14) and $(31) for the three months ended September 30, 2023 and 2022, respectively. Income in the current year was primarily driven by $(11) foreign currency gains on the Refinancing Notes and $(8) gain on sale of emission reduction credits. Income for the three months ended September 30, 2022, was mainly driven by $(25) foreign currency gains on the Euro Notes and $(9) gain on PRC currency translation adjustment.

"Other (income) expense, net" was $(3) and $(66) for the nine months ended September 30, 2023 and 2022, respectively. Income for the nine months ended September 30, 2023, primarily includes $(8) gain on sale of emission reduction credits, $(4) foreign currency gains on the Refinancing Notes and the Euro Notes, and $(4) gain on PRC currency translation adjustment, partially offset by taxes other than income and losses from the write-off of certain non-operating assets. Income for the nine months ended September 30, 2022, was primarily driven by $(44) foreign currency gains on the Euro Notes, $(16) gain on PRC currency translation adjustment, $(4) gain upon extinguishment of liabilities, and $(4) gain on recognition of favorable tax credit claimed in Brazil.

Equity in (income) loss of affiliates

"Equity in (income) loss of affiliates" was $(1) and $26 for the three months ended September 30, 2023 and 2022, respectively ($(4) and $21 for the nine months ended September 30, 2023 and 2022, respectively). Prior year loss represents management's preliminary estimate associated with 50% share of a goodwill impairment charge taken by equity affiliate ISH-Toray Pte. Ltd.

Pension non-service cost (benefit)

"Pension non-service cost (benefit)" was less than $1 for each of the three months ended September 30, 2023 and 2022 ($(2) and $0 for the nine months ended September 30, 2023 and 2022, respectively). The current year pension benefit was primarily associated with the termination of the pension plan in Hong Kong.

Interest expense, net

"Interest expense, net" was $48 and $24 for the three months ended September 30, 2023 and 2022, respectively ($116 and $65 for the nine months ended September 30, 2023 and 2022, respectively), which primarily includes interest on all debt arrangements and amortization of discounts and deferred financing fees. Increase in current year interest expense is primarily due to interest on the Refinancing Notes, and amortization of discounts and deferred financing fees for our recent debt financing arrangements.

Income tax expense

"Income tax expense" was $5 and $2 for the three months ended September 30, 2023 and 2022, respectively ($13 and $9 for the nine months ended September 30, 2023 and 2022, respectively). The effective tax rate was (14)% and (8)% for the three months ended September 30, 2023 and 2022, respectively ((11)% and (1)% for the nine months ended September 30, 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

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than the Netherlands' statutory rate. At September 30, 2023 and 2022, the Netherlands' statutory rate was 25.8% and 25%, respectively.

Net (income) loss attributable to noncontrolling interest

"Net (income) loss attributable to noncontrolling interest" was $(1) and $0 for the three months ended September 30, 2023 and 2022, respectively ($(1) and $51 for the nine months ended September 30, 2023 and 2022, respectively). Net loss in prior year represents management's preliminary estimate of goodwill impairment loss 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.*"

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Consolidated net income (loss)	$ (40.0)	(28.2)	(132.7)	(846.1)
Interest expense	48.0	23.9	116.2	64.9
Income tax expense	5.0	2.5	12.8	9.4
Depreciation and amortization	12.6	14.2	44.3	47.3
EBITDA	25.6	12.4	40.6	(724.5)
Joint venture EBITDA adjustment (a)	1.0	1.2	3.2	3.9
Noncontrolling interest EBITDA (b)	(0.8)	(0.1)	(2.6)	(2.4)
Foreign exchange adjustment (c)	—	0.2	0.3	0.2
Foreign exchange on bonds (d)	(10.6)	(24.5)	(4.1)	(44.0)
Other items (e)	(6.8)	0.4	(8.2)	(2.9)
Other restructuring (f)	4.4	8.3	9.7	36.5
Impact of PRC functional currency (g)	0.3	(9.7)	(5.5)	(17.3)
Financing costs (h)	7.1	—	16.7	—
La Porte restructuring (i)	—	—	—	(2.8)
Goodwill and other intangible assets impairment (j)	—	—	—	821.3
Loss on investment in equity affiliate for 50% share of goodwill impairment (k)	—	26.0	—	26.0
Adjusted EBITDA	$ 20.2	$ 14.2	$ 50.1	$ 94.0

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 in which the current year, is 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 is primarily 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.

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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 a reversal of certain accrued liabilities at La Porte.

j) Represents management's preliminary estimate of impairment immediately following the conclusion of the Enforcement Action in June 2022.

k) Represents management's preliminary estimate associated with 50% share of goodwill impairment charge on equity affiliate, ISH-Toray Pte. Ltd. immediately following the conclusion of the Enforcement Action in June 2022.

Guarantors/Non-Guarantors

For the nine months ended September 30, 2023 and 2022, the Guarantors represented approximately 40% and 76% of Adjusted EBITDA and approximately 79% and 81% of total sales, respectively, excluding transactions with Non-Guarantors. As of September 30, 2023, and December 31, 2022, the Guarantors represented approximately 88% and 87% of combined total assets, respectively, 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 nine months ended September 30, 2023 and 2022, such subsidiary organized under the laws of the PRC, together with other Non-Guarantors, represented approximately 60% and 24% of Adjusted EBITDA, and approximately 21% and 19% of total sales, respectively, excluding transactions with the Guarantors. As of September 30, 2023, and December 31, 2022, such subsidiary organized under the laws of the PRC, together with other Non-Guarantors, represented approximately 12% and 13%, respectively, of combined total assets, excluding asset balances related to transactions with the Guarantors.

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

	Nine months ended September 30, 2023		
	Guarantor	**Non-Guarantor**	**Consolidated**
Total sales	$ 492	$ 132	$ 624
Gross profit	83	23	106
Operating income (loss)	6	(16)	(10)
Income (loss) before income taxes	(104)	(16)	(120)
Consolidated net income (loss)	(112)	(21)	(133)
Net income (loss) attributable to The LYCRA Company	(113)	(21)	(134)

	Nine months ended September 30, 2022		
	Guarantor	**Non-Guarantor**	**Consolidated**
Total sales	$ 716	$ 170	$ 886
Gross profit	123	22	145
Operating income (loss)	(724)	(27)	(751)
Income (loss) before income taxes	(809)	(28)	(837)
Consolidated net income (loss)	(812)	(34)	(846)
Net income (loss) attributable to The LYCRA Company	(761)	(34)	(795)

	September 30, 2023		
	Guarantor	**Non-Guarantor**	**Consolidated**
Assets			
Current assets:			
Cash and cash equivalents	76	6	82
Restricted cash	5	6	11
Receivables, net	103	21	124
Inventories, net	157	20	177
Prepaid expenses and other current assets	11	1	12
Total current assets	$ 352	$ 54	$ 406
Property, plant and equipment, net	193	56	249
Right of use lease assets, net	37	17	54
Goodwill	627	—	627
Other intangible assets, net	453	3	456
Investments in equity affiliates	138	30	168
Deferred income tax assets	—	8	8
Other assets	12	1	13
Total assets	1,812	169	1,981

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	December 31, 2022		
	Guarantor	Non-Guarantor	Consolidated
Assets			
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	14	1	15
Total current assets	$ 391	$ 54	$ 445
Property, plant and equipment, net	207	67	274
Right of use lease assets, net	34	19	53
Goodwill	627	—	627
Other intangible assets, net	461	4	465
Investments in equity affiliates	137	30	167
Deferred income tax assets	—	6	6
Other assets	14	—	14
Total assets	1,871	180	2,051

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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 September 30, 2023, and December 31, 2022, we had total cash and cash equivalents of $82 and $62, respectively. At September 30, 2023, principal amounts borrowed under the Shareholder Loan and the ssTL are $28 and $147, 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 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 pay down or draw on the borrowing agreements 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 agreements, 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

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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.

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.

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 were less than $1 and $2 for the three months ended September 30, 2023 and 2022, respectively ($7 and $6 for the nine months ended September 30, 2023 and 2022, 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.

Capital expenditures for the three and nine months ended September 30, 2023 and 2022 were primarily associated with maintenance costs spread among nearly all of our facilities.

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	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Maintenance Capex	$ —	$ 2	$ 6	$ 5
Growth Capex	—	—	1	1
	$ —	$ 2	$ 7	$ 6

Historical cash flow data

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

	For the three months ended September 30,			For the nine months ended September 30,		
	2023	2022	Change	2023	2022	Change
Net cash provided by (used in) operating activities	$ 45	$ 4	$ 41	$ 32	$ (36)	$ 68
Net cash provided by (used in) investing activities	(3)	(2)	(1)	(8)	(5)	(3)
Net cash provided by (used in) financing activities	(5)	5	(10)	6	55	(49)

"Net cash provided by (used in) operating activities" increased by $41 for the three months ended September 30, 2023, and $68 for the nine months ended September 30, 2023, as compared to 2022. The increase is primarily driven by a reduction of working capital due to a decrease of raw material costs in the current year compared to higher costs of raw materials and energy in 2022.

"Net cash provided by (used in) investing activities" was $(3) and $(2) for the three months ended September 30, 2023 and 2022 respectively ($(8) and $(5) for the nine months ended September 30, 2023 and 2022, respectively). Net cash used for both periods primarily include maintenance capital expenditures.

The net cash of $(5) used in financing activities for the three months ended September 30, 2023, primarily includes $(4) payment of deferred financing costs on debt arrangements and $(3) partial repayment of the Refinancing Notes, partially offset by $2 increase in net of supply chain financing for purchase of raw materials. Net cash provided in prior year was related to supply chain financing for purchase of raw materials.

The net cash of $6 provided by financing activities for the nine months ended September 30, 2023, primarily includes $263 proceeds from issuance of the Refinancing Notes, $30 proceeds from additional borrowings under the ssTL, partially offset by $(271) repayment of the Euro Notes, and $(15) payment of deferred financing costs on those debt arrangements, and $(3) partial repayment on the Refinancing Notes. Net cash of $55 provided by financing activities for the nine months ended September 30, 2022 represents a $50 RCF draw and $5 supply chain financing for purchase of raw materials.

Pension liabilities

We also have obligations with respect to pension and other post-retirement benefits. As of September 30, 2023, and December 31, 2022, we had funded and unfunded plans in which the aggregate amount of the projected

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benefit obligations exceeded the fair value of plan assets by $6 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 $31 and $30 as of September 30, 2023 and December 31, 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 unaudited condensed interim consolidated financial statements as of September 30, 2023, as stated in Note 2 *Summary of significant accounting policies and practices* within the Notes to the Condensed Interim Consolidated Financial Statements.

Recently adopted accounting pronouncements

There have been no material changes to recently adopted accounting pronouncements as of September 30, 2023, as stated in Note 2 *Summary of significant accounting policies and practices – Recently issued accounting standards* within the Notes to the Condensed Interim 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 in the December 31, 2022 annual report. We do not enter into financial instruments for trading or speculative purposes.

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

COVID-19

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

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The COVID-19 resurgence experienced in the PRC during 2022, and its related lockdowns, impacted our financial performance during 2022 and has had some carry on effects into 2023. We are unable to predict the ultimate impact of any such resurgence or the re-imposition or continuation of restrictive measures designed to combat the COVID-19 pandemic by national, regional, and local governments.

Currency risks

We conduct operations in many countries around the world. Our results of operations are subject to both currency transaction risk and currency translation risk. We consider the U.S. dollar to be our primary functional currency, however the Chinese yuan is the functional currency for our operations in the PRC, and, as such, exchange rate differences are included as a currency translation adjustment within accumulated other comprehensive income in our Consolidated Statement of Shareholder's Equity for the nine months ended September 30, 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 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 nine months ended September 30, 2023, a 10% change in the exchange rate would have had the following revenue impacts relative to the U.S. dollar: (1) a $12 impact related to the Chinese yuan , (2) a $10 impact related to the euro, and (3) a $5 impact related to the Brazilian real.

Interest rate risk

Our indebtedness and other debt arrangements are primarily comprised of the Dollar Notes and Refinancing Notes (which have fixed interest rates), the ssTL and Shareholder Loan (which borrowings have interest rates based on 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.

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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 nine months ended September 30, 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.

In addition, we experienced rising energy costs at our manufacturing facilities throughout 2022. The increase in cost was primarily a result of higher natural gas, coal, and fuel oil prices, and we expect these higher prices will continue to subside for the remainder of 2023, however the prices will remain elevated as compared to periods prior to the third quarter of 2021. In addition, we have curtailed production at our manufacturing facilities during periods of weak demand which increases our energy as a unit rate.

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

Employment Agreements

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

Sales with Affiliates

We provide goods and services to Toray Opelontex Co. Ltd. and Itochu Corporation subsidiaries and affiliates. All sales activity with the affiliates are included in "Sales to related parties" in the unaudited condensed interim consolidated financial statements included elsewhere in this quarterly report. Sales of finished goods and services to affiliates were $1 for each of the three months ended September 30, 2023 and 2022 ($2 and $16 for the nine months ended September 30, 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 majority-owned 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 Condensed Interim 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.

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Eagle Super Global Holding B.V. and Subsidiaries

d/b/a The LYCRA Company

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the period ended September 30, 2023

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The LYCRA Company
Consolidated Balance Sheets
(Amounts in millions of U.S. dollars)
(Unaudited, except as noted)

	September 30, 2023	December 31, 2022 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 82	$ 62
Restricted cash	11	1
Receivables, net	124	119
Inventories, net	177	248
Prepaid expenses and other current assets	12	15
Total current assets	406	445
Property, plant and equipment, net	249	274
Right of use lease assets, net	54	53
Goodwill	627	627
Other intangible assets, net	456	465
Investments in equity affiliates	168	167
Deferred income tax assets	8	6
Other assets	13	14
Total assets	$ 1,981	$ 2,051
Liabilities and Shareholder's Equity		
Current liabilities:		
Current debt	8	300
Lease liabilities, current portion	5	5
Payables	53	57
Accrued and other current liabilities	67	59
Total current liabilities	133	421
Long-term debt, net	1,141	784
Lease liabilities, long-term	31	29
Pension and other post-retirement benefit liabilities	6	5
Deferred income tax liabilities	39	39
Other liabilities	1	1
Total liabilities	$ 1,351	$ 1,279
Shareholder's equity:		
Shareholder's equity	552	686
Accumulated other comprehensive income	(5)	4
Total The LYCRA Company shareholder's equity	547	690
Noncontrolling interest	83	82
Total shareholder's equity	630	772
Total liabilities and shareholder's equity	$ 1,981	$ 2,051

See accompanying notes to the consolidated financial statements.

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The LYCRA Company

Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net sales	$ 217	$ 249	$ 622	$ 870
Sales to related parties	1	1	2	16
Total sales	218	250	624	886
Royalty and licensing income, net	—	1	2	4
Total revenue	218	251	626	890
Cost of goods sold and other operating expenses	175	217	520	745
Gross profit	43	34	106	145
Selling, general and administrative expenses	27	26	81	85
Research and development expenses	7	7	21	22
Restructuring (income) expense	11	8	17	34
Goodwill impairment	—	—	—	821
Other (income) expense, net	(14)	(31)	(3)	(66)
Operating income (loss)	12	24	(10)	(751)
Equity in (income) loss of affiliates	(1)	26	(4)	21
Pension non-service cost (benefit)	—	—	(2)	—
Interest expense, net	48	24	116	65
Income (loss) before income taxes	(35)	(26)	(120)	(837)
Income tax expense (benefit)	5	2	13	9
Consolidated net income (loss)	(40)	(28)	(133)	(846)
Net (income) loss attributable to noncontrolling interest	(1)	—	(1)	51
Net income (loss) attributable to The LYCRA Company	$ (41)	$ (28)	$ (134)	$ (795)
Consolidated net income (loss)	$ (40)	$ (28)	$ (133)	$ (846)
Other comprehensive income (loss), net of tax				
Recognition of actuarial gains (loss)	(1)	—	(1)	—
Foreign currency translation adjustment	2	(17)	(8)	(32)
Comprehensive income (loss)	(39)	(45)	(142)	(878)
Net (income) loss attributable to noncontrolling interest	(1)	—	(1)	51
Comprehensive income (loss) attributable to The LYCRA Company	$ (40)	$ (45)	$ (143)	$ (827)

See accompanying notes to the consolidated financial statements.

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The LYCRA Company

Consolidated Statement of Shareholder's Equity

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

	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 (Audited)	$ (419)	$ 1,488	$ 27	$ 1,096	$ 97	$ 1,193
Consolidated net income (loss)	(384)	—	—	(384)	(15)	(399)
Share-based compensation	—	1	—	1	—	1
Other comprehensive income (loss)	—	—	(23)	(23)	—	(23)
Balances at December 31, 2022 (Audited)	$ (803)	$ 1,489	$ 4	$ 690	$ 82	$ 772
Consolidated net income (loss)	(134)	—	—	(134)	1	(133)
Other comprehensive income (loss)	—	—	(9)	(9)	—	(9)
Balances at September 30, 2023	$ (937)	$ 1,489	$ (5)	$ 547	$ 83	$ 630

See accompanying notes to the consolidated financial statements.

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The LYCRA Company
Consolidated Statements of Cash Flows
(Amounts in millions of U.S. dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash flows from operating activities:				
Consolidated net income (loss)	$ (40)	$ (28)	$ (133)	$ (846)
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	12	16	38	51
Amortization of deferred financing costs and discounts	14	5	33	11
Net impact of leases	—	(1)	—	(1)
Employee stock-based compensation	—	—	—	1
Exchange rate changes on cash and cash equivalents and restricted cash	—	1	—	2
Undistributed loss (earnings) in investments in equity affiliates	(1)	26	(4)	21
Impairment of goodwill and other intangible assets	—	—	—	821
Disposals (Recoveries) of long-lived assets	1	—	2	1
Deferred income taxes	—	(6)	(2)	(9)
Pension expense, net of contributions	—	—	(1)	—
Return on investments from equity affiliates	—	—	3	4
Changes in assets and liabilities: [(1)]				
Receivables	(6)	25	(5)	36
Inventories	36	(2)	71	(26)
Other assets	7	18	6	26
Payables	(6)	(42)	2	(111)
Other liabilities	28	(8)	22	(17)
Net cash provided by (used in) operating activities	45	4	32	(36)
Cash flows from investing activities:				
Capital expenditures	(3)	(2)	(8)	(6)
Return of investment in equity affiliate	—	—	—	1
Net cash provided by (used in) investing activities	(3)	(2)	(8)	(5)
Cash flows from financing activities:				
Borrowings of revolvers	—	—	—	50
Repayments of revolvers	—	—	(100)	—
Short-term bank borrowings	6	5	16	5
Payments of short-term debt	(4)	—	(15)	—
Proceeds from long-term debt	—	—	394	—
Payment of long-term debt	(3)	—	(274)	—
Payment of deferred financing costs	(4)	—	(15)	—
Net cash provided by (used in) financing activities	(5)	5	6	55
Net increase (decrease) in cash and cash equivalents and restricted cash	37	7	30	14
Effect of exchange rate changes on cash and cash equivalents and restricted cash	—	(1)	—	(2)
Cash and cash equivalents and restricted cash at beginning of period	56	41	63	35
Cash and cash equivalents and restricted cash at end of period	$ 93	$ 47	$ 93	$ 47

(1) Net of effect of translation

See accompanying notes to the consolidated financial statements.

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The LYCRA Company

Notes to Consolidated Financial Statements

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

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

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

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Principles of consolidation

The unaudited condensed interim 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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements.

2. Summary of significant accounting policies and practices

Cash and cash equivalents

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

Restricted cash

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

Allowance for doubtful accounts

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

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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).

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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

The Company has operations where regulations or contracts would require it to perform certain retirement activities, conditional upon the shutdown of the operations and/or abandonment of the facilities. These activities may include the dismantling of facilities and removing certain hazardous materials or contaminants from the physical location. When sufficient information exists to determine a reasonable date or range of dates for an asset retirement, the Company will estimate the cost of retirement activities and record the present value of the expected liability. The changes in the liability due to passage of time are measured by applying an interest rate to the liability balance. This amount is recognized as an increase in the carrying amount of the liability and as a corresponding accretion expense. The obligation is initially measured at fair value, using expected present value techniques. Over time the liabilities are accreted for the change in their present value. The asset retirement obligation liability was less than $1 at each of September 30, 2023, and December 31, 2022.

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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 in a future period. 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.

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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 euros, Chinese yuan, 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 (losses) were $9 and $33 for the three months ended September 30, 2023 and 2022, respectively, and $8 and $61 for the nine months ended September 30, 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

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that vary by customer, type, or region. Payment terms vary depending on the requirements within the region, which ranges between 5 days to 120 days.

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

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

- Rebates are offered to certain customers as incentives to drive sales activities. The Company offers two types of rebate programs, namely direct and indirect rebate programs. Direct rebate programs run for approximately twelve months and provide price incentives to direct product customers based on the product and pricing incentives that are agreed to at inception of the contract. Indirect rebate programs are established with end-use garment companies and are designed to provide incentives to incorporate the Company's products into their garment manufacturing. Accruals for customer rebates are estimated using the expected value method based on the agreed terms of the rebate programs, the projected sales targets, and historical trends, and are accounted for as a reduction to gross sales. Rebate claims deducted from gross sales amounts were $1 and $2 for the three months ended September 30, 2023 and 2022, respectively and $5 and $6 for the nine months ended September 30, 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 $1 for each of the three months ended September 30, 2023 and 2022 and $3 and $4 for the nine months ended September 30, 2023 and 2022, respectively. Deductions arising from customer claims were less than $1 in each period.

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 $2 for each of the three months ended September 30, 2023 and 2022, and $6 for each of the nine months ended September 30, 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 $7 for each of the three months ended September 30, 2023 and 2022, and $21 and $22 for the nine months ended September 30, 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 81 years. The Company's finance leases are primarily for vehicles and are not material. Certain lease agreements contain scheduled rent escalation clauses and others include rental payments adjusted periodically depending on an index or rate. Certain lease agreements require the Company to pay insurance, common area maintenance, and other costs, collectively referred to as operating costs, in addition to base rent.

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

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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.

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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 U.S. inflation index to adjust the interest rate. At September 30, 2023, the outstanding obligations confirmed under the supplier finance program were $8. Amounts due to the Company's suppliers in the SFP program are included in "Current Debt" within the condensed interim Consolidated Balance Sheets and payments made under the program are reflected in Cash flows from financing activities in the Company's condensed interim 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 September 30, 2023, the Company employed approximately 2,500 employees. Of these employees, 49% were represented by labor unions, with 66% 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.

Recently issued accounting standards

Accounting standards not yet adopted

As of September 30, 2023, the Company has evaluated the applicability of recently proposed accounting standard changes and concluded none are applicable to the consolidated financial statements and related footnote disclosures.

3. Receivables, net

	September 30, 2023	December 31, 2022 (Audited)
Trade accounts receivables	$ 103	$ 99
Receivables, non-trade [(1)]	23	22
	126	121
Less: allowance for doubtful accounts	(2)	(2)
	$ 124	$ 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.

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4. Inventories, net

	September 30, 2023	December 31, 2022 (Audited)
Raw materials	$ 56	$ 76
Work in process	6	10
Finished goods	105	152
	167	238
Supplies	16	16
	183	254
Reserves	(6)	(6)
	$ 177	$ 248

5. Long-lived assets

Property, plant and equipment, net

	September 30, 2023	December 31, 2022 (Audited)
Land	$ 39	$ 39
Buildings, plants and improvements	100	100
Machinery and equipment	338	336
Furniture, fixtures and other	6	6
Construction in progress	12	12
	495	493
Less: accumulated depreciation	(246)	(219)
	$ 249	$ 274

Depreciation expense was $9 and $13 for the three months ended September 30, 2023 and 2022, and $29 and $42 for the nine months ended September 30, 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, 2022 (Audited)	Impairment	Balance at September 30, 2023
Goodwill	$ 627	$ —	$ 627

For the nine months ended September 30, 2022, the Company estimated and recorded a goodwill impairment of $811 following the conclusion of the Enforcement Action in June 2022. Upon finalization of the annual goodwill impairment assessment and quantitative analysis as of December 31, 2022, the Company lowered the goodwill impairment charge from $811 to $326.

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

	September 30, 2023			December 31, 2022 (Audited)		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Definite-lived intangible assets						
Developed technology	$ 93	$ (41)	$ 52	$ 93	$ (34)	$ 59
Customer relationships	26	(12)	14	26	(10)	16
	119	(53)	66	119	(44)	75
Indefinite-lived intangible assets						
Trade name portfolio	390	—	390	390	—	390
	$ 509	$ (53)	$ 456	$ 509	$ (44)	$ 465

The expense charged to operations for amortization of intangible assets was $3 for each of the three months ended September 30, 2023 and 2022, and $9 for each of the nine months ended September 30, 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 5 years. The amortization period by major asset class is developed technology (10 years) and customer relationships (10 years).

For the nine months ended September 30, 2022, the Company estimated and recorded other intangible assets impairment of $10 following the conclusion of the Enforcement Action in June 2022. Upon finalization of the annual other intangible asset impairment assessment and quantitative analysis as of December 31, 2022 the Company determined no impairment charge was necessary.

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

The four entities have a combined carrying value of $168 and $167 at September 30, 2023 and December 31, 2022, respectively.

Laika Joint Venture

On August 3, 2021, the Company established a majority-owned joint venture, Laika, with minority partners, including a related party, Jining Ruyi Wanzhong Venture Capital Management Partnership ("Wanzhong"), for the purpose of acquiring additional spandex manufacturing capacity from Jining Ruyi High-tech Fiber Material Co., Ltd in the PRC. Laika was initially capitalized with cash contributions of $30 from the Company and $27

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from Wanzhong, with a commitment from the Company to make an additional contribution of $20 on or before 2054 which is an outstanding equity commitment as of September 30, 2023. Subsequent to our initial capitalization, the formation documents for Laika were amended to effect capital increase requirements in Laika that would result in approximately $80 additional capital contribution by the Company in the form of contributed property, plant and equipment from our manufacturing facility in Foshan ("Subsequent Contribution Requirements"). The Subsequent Contribution Requirements have not been made by the Company and are currently subject to an on-going dispute between the Company and our joint venture partner. Due to our inability to control Laika and Laika management's actions to deny the Company with sufficient access to Laika's books and records, the Company has recorded the equity method investment of $30 on the consolidated balance sheet at September 30, 2023 and the Company's share of Laika's net income of $0 based on the best information available to the Company. The amounts recorded and 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 is no longer considered a related party.

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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	17	—	17
Cash payments	(16)	(1)	(17)
Balance at September 30, 2023	$ 4	—	4

For the nine months ended September 30, 2023, the restructuring expense of $17 includes certain costs primarily associated with the restructuring of financing arrangements.

For the nine months ended September 30, 2022, the restructuring expense includes $36 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 remaining asset retirement obligations and related termination of a ground lease at La Porte.

9. Indebtedness

Current debt

	September 30, 2023	December 31, 2022 (Audited)
Euro Notes	$ —	$ 266
Bank Borrowings	8	7
Shareholder Loan	—	27
	$ 8	$ 300

During the third quarter of 2022, the Company 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 9.12% for borrowings outstanding at September 30, 2023.

The Company had outstanding bank guarantees, surety bonds, and letters of credit of $12 and $9 at September 30, 2023, and December 31, 2022, respectively. The bank guarantees, surety bonds, and letters of credit are related to import duties, value added taxes, insurance policies, and other contracts.

Long-term debt

	Long-term debt	Deferred financings costs	Discounts	Long-term debt, net
Balance at December 31, 2021 (Audited)	$ 974	$ (22)	$ —	$ 952
Amortization	—	6	7	13
FX remeasurement on Euro Notes	(19)	—	—	(19)
Additions	34	—	(34)	—
Transfer of Euro Notes to current debt	(265)	3	—	(262)
Revolving Credit Facility	100	—	—	100
Balance at December 31, 2022 (Audited)	$ 824	$ (13)	$ (27)	$ 784
Amortization	—	8	23	31
ssTL	150	(4)	(8)	138
Refinancing Notes	350	(13)	(66)	271
FX remeasurement on Refinancing Notes	(13)	—	2	(11)
Shareholder Loan	28	—	—	28
Revolving Credit Facility	(100)	—	—	(100)
Balance at September 30, 2023	$ 1,239	$ (22)	$ (76)	$ 1,141

	Interest Rate			
	Fixed	Variable	Principal Amount	Maturity Date
Dollar Notes	7.5%	n/a	$ 705	May 1, 2025
Exit Premium	n/a	n/a	$ 19	May 1, 2025
Refinancing Notes	16.0%	n/a	€ 310	April 1, 2025
ssTL	n/a	9%+Term SOFR	$ 147	February 1, 2025
Shareholder Loan	n/a	6%+Term SOFR	$ 28	December 31, 2024

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 on the notes 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 these 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

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of the Company's long-term debt in the Consolidated Balance Sheets and amount to $9, net of FX remeasurement, at September 30, 2023. The amortization of the financing costs, which was $1 for each of the three months ended September 30, 2023 and 2022, and $4 and $5 for the nine months ended September 30, 2023 and 2022, respectively, is presented in "Interest expense, net" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

The indenture for these 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 indenture for the notes. 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 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 was entered into 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.

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. Upon termination of the Euro Notes, the Company recognized a loss on extinguishment of $8.

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 of €60. The Refinancing Notes mature on April 1, 2025.

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% payable-in-kind ("PIK"). The PIK interest for the five months ended September 30, 2023, was $23, of which $14 has been added to the aggregate principal amount as of September 30, 2023.

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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 of the Refinancing Notes, and are being amortized over the term of the Refinancing 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 $11 at September 30, 2023. The amortization of the financing costs, which was $2 for the three months ended September 30, 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 Global Holding B.V. (the "Parent"), 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 the Parent, the Dutch Issuer, The U.S. Issuer and Refinancing Notes Issuer, the "Company Parties", Eagle Investments HoldCo ("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 (the "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 (the "2L SPV Notes").

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.

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 annuum which is the aggregate of the applicable margin (6% per annum) and reference rate (the applicable Term SOFR).

The total utilization of the Shareholder Loan is $28 at September 30, 2023. The interest rate was 5.357% plus margin of 6% for a total of 11.357% payable quarterly. In connection with the Standstill Agreement, the maturity date of each loan was changed from April 1, 2025 to December 31, 2024. In addition, the Shareholder Loan is to be repaid as follows: (i) $10 on December 31, 2023, (ii) $10 on June 30, 2024, and (iii) the balance of $8 on December 31, 2024, in each case subject to the Company having aggregate available cash balances of at least $40 pro forma for such repayment (with partial repayments and any catch up payments required).

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 bear 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 (the "ssTL").

Super Senior Term Loan (ssTL)

The ssTL loan was initiated upon full repayment of the RCF on March 1, 2023. The principal amount under the ssTL was $109, including an original issue discount 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 with the Company's existing and future first lien secured indebtedness. The ssTL has a maturity date of February 1, 2025.

In May 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, 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, PIK. The PIK interest added to the aggregate principal amount as of September 30, 2023, was $8. In addition, PIK interest accrued as of September 30, 2023, was $3 based on 5.366% SOFR plus 9% for a total interest rate of 14.366%. At September 30, 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 September 30, 2023. The amortization of $2 for deferred financing costs is presented in "Interest expense, net" in the Consolidated Statements of Operations and Comprehensive Income (Loss).

10. Pension and other post-retirement benefit liabilities

For the full year, 2023, the Company expects to contribute approximately $1 to pension plans and other post-retirement benefit 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, as well as defined contribution plans outside the U.S. The Company has contributed $2 to these plans for the three months ended September 30, 2023, and $6 for the nine months ended September 30, 2023, and expects to contribute approximately an additional $2 to these plans for the remainder of 2023.

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11. Interest expense, net

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Interest charges [1]	$ 32	$ 17	$ 79	$ 50
Amortization of financing fees [2]	15	4	33	10
Interest on revolving credit facility	—	2	2	3
Other interest expense	1	1	3	3
Interest (income)	—	—	(1)	(1)
	$ 48	$ 24	$ 116	$ 65

(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.

12. Income taxes

The Company recorded income tax expense of $5 and $2 for the three months ended September 30, 2023 and 2022, respectively, and $13 and $9 for the nine months ended September 30, 2023 and 2022, respectively. The effective tax rate was (14)% and (8)% for the three months ended September 30, 2023 and 2022, respectively, and (11)% and (1)% for the nine months ended September 30, 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 September 30, 2023 and 2022, the Netherlands' statutory rate was 25.8% and 25%, respectively.

The Company's deferred tax assets are primarily comprised of net operating loss carryforwards and differences between the book values of assets and tax values of acquired business assets. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of 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. As a result, valuation allowances of $306 and $258 have been provided for the estimated net deferred tax assets of approximately $275 and $225 at September 30, 2023 and December 31, 2022, respectively. There were no tax related interest or penalties accrued by the Company as of September 30, 2023.

13. Significant customers and related party transactions

Toray Opelontex Co. Ltd., and Shinpont Industry, Inc., are considered related parties. However, with the completion of the Enforcement Action and subsequent change of ownership, Koch Industries Inc. and subsidiaries ("Koch") and Itochu Corporation and subsidiaries ("Itochu") are no longer considered as related parties, effective June 28, 2022.

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Significant customers

No single customer accounted for greater than 10% of sales for the three and nine months ended September 30 2023. Sales to Kimberly-Clark Corporation and subsidiaries were 11% for the three months ended September 30, 2022. No single customer accounted for greater than 10% of sales for the nine months ended September 30, 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® fiber 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 $10 and $9 for the three months ended September 30, 2023 and 2022, respectively, and $28 and $33 for the nine months ended September 30, 2023 and 2022, respectively. Related party payable balances reflected in "Payables" in the Consolidated Balance Sheets were $9 and $6 at September 30, 2023, and December 31, 2022, respectively.

Sales to related parties

The Company provides goods and services to Toray Opelontex Co. Ltd., and Itochu Corporation subsidiaries and affiliates. All sales activity between the Company and related parties are included in "Sales to related parties" in the Consolidated Statements of Operations and Comprehensive Income (Loss). Sales of finished goods and services to related parties were $1 for each of the three months ended September 30, 2023 and 2022 and $2 and $16 for the nine months ended September 30, 2023 and 2022, respectively. Related party receivable balances reflected in "Receivables, net" in the Consolidated Balance Sheets are less than $1 at each of September 30, 2023 and December 31, 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 loan note facility agreement, 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

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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 September 30, 2023, is $28. Refer to Note 9 "Indebtedness" for more details.

14. Leases

The components of lease cost for the three and nine months ended September 30, 2023 and 2022 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Operating lease cost	$ 2	$ 2	$ 5	$ 5
Finance lease cost	—	—	1	—
Short-term and variable lease cost	—	—	—	1
Total	$ 2	2	$ 6	6

Operating and finance lease liabilities cash flow information for the three and nine months ended September 30, 2023 and 2022 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**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	$ 2	$ 2	$ 5	$ 5
Operating lease liabilities arising from obtaining ROU assets	$ —	$ —	$ 1	$ —

Supplemental balance sheet information related to leases as of September 30, 2023 and 2022 are as follows:

	September 30, 2023	**September 30, 2022**
Weighted average remaining lease term	15 years	16 years
Weighted average discount rate	3.47%	3.42%

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As of September 30, 2023 and 2022, future maturities of lease liabilities are as follows:

	September 30, 2023	September 30, 2022
1 year	$ 6	$ 6
2 years	5	5
3 years	4	3
4 years	4	3
5 years	4	3
Thereafter	22	22
Total lease payments	45	42
Less: imputed interest	(9)	(9)
Total lease liabilities	36	33
Less: current obligations	(5)	(5)
Long-term lease obligations	$ 31	$ 28

15. Obligations, and contingent liabilities

Future minimum purchase obligations are as follows:

Maturity period	Purchase obligations
2023 remaining [1]	$ 31
2024	10
2025	6
2026	3
2027	2

(1) Includes $20 for an unfunded Laika joint venture contribution. Refer to Note 7 "Investment in equity affiliates" for additional detail regarding the contribution.

16. Subsequent events

The Company has completed an evaluation of all subsequent events through November 22, 2023, the date its unaudited condensed interim consolidated financial statements were available to be issued and concluded that no subsequent events occurred that required recognition other than those described below.

On November 15, 2023, Gary Smith entered into an employment agreement with an affiliate of Eagle Intermediate Global Holding B.V. (the "Company"). Pursuant to the employment agreement, Mr. Smith will act as Chief Executive Officer of the Company, effective as of November 27, 2023. There are no family relationships between Mr. Smith and any director or executive officer of the Company, and he has no direct or indirect material interest in any transaction involving related parties of the Company.

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