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If you have sold or otherwise transferred all of your existing ordinary shares in Synthomer plc (the **"Company"** or **"Synthomer"**, and, together with its subsidiary undertakings, the **"Synthomer Group"**), please send this document, together with the accompanying form of proxy (the **"Form of Proxy"**) (other than documents or forms personalised to you) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, these documents should not be forwarded, distributed or transmitted in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction. If you have sold or otherwise transferred only part of your holdings of ordinary shares in Synthomer (the **"Shares"**) you should retain these documents and contact the bank, stockbroker or other agent through whom the sale or transfer was effected.

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SYNTHOMER PLC

(Incorporated and registered in England and Wales with registered number 00098381)

Proposed Acquisition of the Adhesive resins business of Eastman Chemical Company

and

Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from your Chair which is set out on pages 10 to 18 of Part I (*Chair's Letter*) of this document and which recommends you vote in favour of the Resolutions to be proposed at the General Meeting referred to below. Your attention is also drawn to the risk factors which are set out in Part II (*Risk Factors*) of this document.

Notice of the general meeting of Synthomer to be held at 12:00 pm on 17 December 2021 at the Company's offices at 45 Pall Mall, London, SW1Y 5JG, United Kingdom (the **"General Meeting"**) is set out at the end of this document (the **"Notice of General Meeting"**).

A Form of Proxy for use at this General Meeting is enclosed. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by Computershare Investor Services PLC (the **"Registrar"**) at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, United Kingdom by no later than 12:00 pm on 15 December 2021 (or, in the case of an adjournment, no later than 48 hours before the time fixed for the holding of the adjourned meeting). If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by no later than 12:00 pm on 15 December 2021 (or, in the case of an adjournment, no later than 48 hours before the time fixed for the holding of the adjourned meeting).

If you have any questions about this document, the General Meeting or the return of the Form of Proxy, please contact the Registrar between 8:30 am and 5:30 pm Monday to Friday (excluding public holidays) on 0370 707 1421 (from the United Kingdom), or +44 370 707 1421 (from outside the United Kingdom, international rates apply). Please note that calls may be monitored or recorded and the Registrar cannot provide financial, legal or tax advice on the merits of the Acquisition.

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This document is a circular relating to the Acquisition which has been prepared in accordance with the Listing Rules solely for the purpose of assisting shareholders' consideration of the Resolutions. Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering the Resolutions is prohibited. The contents of this document are not to be construed as legal, financial or tax advice.

Persons into whose possession this document comes should inform themselves about, and observe, any applicable restrictions and legal, exchange control or regulatory requirements in relation to the distribution of this document and the Acquisition. The release, publication or distribution of this document in certain jurisdictions may be restricted by law. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such requirements by any person.

Notice to US Shareholders

This document is not an offer to sell or issue, or the solicitation of an offer to purchase, subscribe for or otherwise acquire, any securities of the Company in the United States. The securities of the Company discussed in this document have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**") or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, pledged, delivered, distributed or transferred, directly or indirectly within the United States, except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

None of the securities of the Company referred to in this document have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities reviewed, passed upon or determined the adequacy or accuracy of this document.

This document is dated 30 November 2021.

TABLE OF CONTENTS

EXPECTED TIMETABLE

Event	Time and Date
Announcement of the Acquisition	28 October 2021
Publication of this document and Notice of General Meeting	30 November 2021
Posting of this document and the Form of Proxy	1 December 2021
Latest time and date for receipt of Form of Proxy	12:00 pm on 15 December 2021
Voting record date for General Meeting	6:00 pm on 15 December 2021
General Meeting	12:00 pm on 17 December 2021
Expected date of Completion	Q1 2022
Long-stop date for Completion	28 July 2022

All references to time in this document and in the expected timetable above are to the time in London, United Kingdom, unless otherwise stated. Each of the times and dates in the table above are indicative only and may be subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders via a Regulatory Information Service.

IMPORTANT INFORMATION

1. Forward-looking statements

Certain statements contained in this document or incorporated by reference into it constitute, or may be deemed to constitute "forward-looking statements". These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this document, including, without limitation, those regarding the Synthomer Group's intentions, beliefs or current expectations concerning, among other things, their future financial condition and performance and results of operations; their strategy, plans, objectives, prospects, growth, goals and targets; future developments in the industry and markets in which the Synthomer Group participate or are seeking to participate; and anticipated regulatory changes in the industry and markets in which the Synthomer Group operate. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "project", "should" or "will" or, in each case, their negative, or other variations or comparable terminology.

By their nature, forward-looking statements are subject to known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Shareholders are cautioned that forward-looking statements are not guarantees of future performance and that the Synthomer Group's and, following Completion, the Enlarged Group's actual financial condition, results of operations, cash flows and distributions to shareholders and the development of their financing strategies, and the development of the industry in which they operate, may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if their financial condition, results of operations, cash flows and distributions to shareholders and the development of their financing strategies, and the development of the industry in which they operate, are consistent with the forward- looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Forward-looking statements should, therefore, be construed in light of the foregoing risk factors and the other factors identified in Part II (*Risk Factors*) of this document. Undue reliance should not be placed on these forward-looking statements. These forward-looking statements are made as at the date of this document and are not intended to give any assurance as to future results. The Synthomer Group will update this document as required by applicable law, including the Listing Rules, the UK version of the Market Abuse Regulation (Regulation (EU) 596/2014) and its delegated and implementing regulations, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented, and the Disclosure Guidance and Transparency Rules, but otherwise expressly disclaims any obligation or undertaking to update or revise any forward- looking statement, whether as a result of new information, future developments or otherwise. You are advised to read this document and the information incorporated by reference into this document in their entirety, and, in particular, Part II (*Risk Factors*). In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may or may not occur. Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital.

2. Market and industry data

Certain information in this document has been sourced from third parties. Where information in this document has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this document which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

All references to market data, industry statistics and forecasts and other information in this document consist of estimates based on data and reports compiled by industry professionals, organisations, analysts, publicly available information or the Company's own knowledge of its sales and markets.

3. Sources and presentation of financial information

3.1 Presentation of Synthomer Group financial information

Unless otherwise indicated, the historical financial information relating to the Synthomer Group included in this document has been extracted without material adjustment from the audited consolidated financial statements of the Synthomer Group for the years ended 31 December 2020, 2019 and 2018 and from the unaudited interim consolidated financial statements for the six months ended 30 June 2021.

Unless otherwise indicated, the historical financial information relating to the Synthomer Group has been prepared in accordance with the International Accounting Standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Standards ("**IFRS**") adopted pursuant to Regulation (EU) No 1606/2002 as it applies in the European Union.

3.2 *Presentation of the Adhesive Technologies financial information*

Unless otherwise indicated, the combined historical financial information relating to Adhesive Technologies included in this document has been extracted without material adjustment from Combined Historical Financial Information of Adhesive Technologies for the years ended 31 December 2020, 2019 and 2018 included in Section A of Part III (*Combined Historical Financial Information of Adhesive Technologies*) of this document.

Unless otherwise indicated, the combined historical financial information relating to Adhesive Technologies has been prepared in accordance with the IFRS and based on the policies consistent with those applied by the Group in its 31 December 2020 financial statements.

4. Non-IFRS measures of performance

This document contains certain non-IFRS financial measures including EBITDA and Adjusted EBITDA of the Synthomer Group's and Adhesive Technologies' financial performance that are not required by, or presented in accordance with, IFRS.

The non-IFRS measures contained in this document should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. In addition, the relevant non-IFRS measures presented in relation to the Synthomer Group and Adhesive Technologies may not be comparable to similarly titled measures presented by other businesses, as such businesses may define and calculate such measures differently than the Synthomer Group or Adhesive Technologies. Accordingly, undue reliance should not be placed on the non-IFRS measures contained in this document.

4.1 *Adhesive Technologies Unaudited June 2021 LTM Adjusted EBITDA*

In this document an Adjusted EBITDA for Adhesive Technologies for the last twelve months (the "**LTM**") ended 30 June 2021 (the "**Adhesive Technologies June 2021 LTM Adjusted EBTIDA**") is used for the purposes of calculating the enterprise multiple set out in paragraph 1 of Part I (*Chair's Letter*).

The Adhesive Technologies June 2021 LTM Adjusted EBITDA of US$97.3 million is based on the Adhesive Technologies' EBITDA for the LTM ended 30 June 2021 of US$70.3 million, plus the normalisation adjustments of US$27.0 million comprising:

- US$19.8 million of corporate allocations and other non-Adhesive Technologies related costs; and
- US$7.2 million of management adjustments.

5. Adhesive Technologies' FY2020, FY2019 and FY2018 Adjusted EBITDA

This document includes an Adjusted EBITDA for Adhesive Technologies for the years ended 31 December 2020, 2019 and 2018 (together the "**Adhesive Technologies FY2020, FY2019 and FY2018 Adjusted EBITDA**").

The Adhesive Technologies FY2020, FY2019 and FY2018 Adjusted EBITDA are based on the Adhesive Technologies' EBITDA for the years ended 31 December 2020, 2019 and 2018, plus the following normalisation adjustments:

(US$ millions)	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
EBITDA (as reported in the Combined Historical Financial Information of Adhesive Technologies)	120.2	71.7	57.9
Corporate allocations and other non-Adhesive Technologies related costs	21.1	23.5	15.7
Management adjustments	(12.6)	(0.7)	3.7
Total normalisation adjustments	**8.5**	**22.8**	**19.4**
Adjusted EBITDA	**128.7**	**94.5**	**77.3**

6. Pro forma financial information

In this document, any reference to **"pro forma"** financial information is to information which has been extracted without material adjustment from the unaudited financial information contained in Part IV (*Unaudited Pro Forma Financial Information*) of this document.

The Unaudited Pro Forma Financial Information is for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the Synthomer Group, Adhesive Technologies or the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared on a basis consistent with the accounting policies adopted by the Synthomer Group in its unaudited condensed consolidated financial statements for the six months ended 30 June 2021 and in accordance with item 13.3.3R of the Listing Rules.

Future results of operations may differ materially from those presented in the Unaudited Pro Forma Financial Information due to various factors.

7. Rounding

Certain financial data and percentages have been rounded. As a result of such rounding, the totals of financial data presented in this document may vary slightly from the actual arithmetic totals of such data and percentages may not add up to 100%.

8. Currency

The Synthomer Group prepares its financial statements in pounds sterling. All references to "pounds", "pounds sterling", "sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom.

Adhesive Technologies financial statements are prepared in US$. All references to "dollars", "US dollars", "US$" and "$" are to the lawful currency of the United States.

An exchange rate as at 27 October 2021 of £1 to US$1.3731 has been used, unless otherwise stated in this document.

9. No profit forecast or estimates

Other than as set out in Appendix 1 (*Profit Forecast*) of this document, no statement in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings for Synthomer or Adhesive Technologies, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings for Synthomer or Adhesive Technologies, as appropriate.

10. No incorporation of website information

The contents of Synthomer's and Adhesive Technologies' websites or any hyperlinks accessible from those websites do not form part of this document and investors should not rely on them.

11. Definitions

Certain terms used in this document, including capitalised terms and certain technical terms, are defined and explained in Part VII (*Definitions*).

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors
Caroline Johnstone, *Chair*
Michael Willome, *Chief Executive Officer*
Stephen Bennett, *Chief Financial Officer*
The Hon. Alexander Catto, *Non-Executive Director*
Dato' Lee Hau Hian, *Non-Executive Director*
Brendan Connolly, *Senior Independent Director*
Holly A. Van Deursen, *Independent Non-Executive Director*
Cynthia Dubin, *Independent Non-Executive Director*
Roberto Gualdoni, *Independent Non-Executive Director*

Company Secretary
Richard Atkinson

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PART I

CHAIR'S LETTER

(Incorporated and registered in England and Wales with company number 00098381)

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Cynthia Dubin, *Independent Non-Executive Director*
Roberto Gualdoni, *Independent Non-Executive Director*

30 November 2021

To the Shareholders and, for information only, to persons with information rights

Dear Shareholder

Proposed Acquisition of Adhesive Technologies
and
Notice of General Meeting

1. Introduction

On 28 October 2021, Synthomer announced that it had agreed to acquire the Adhesive Resins business (**"Adhesive Technologies"**) of Eastman Chemical Company (**"Eastman"**), which develops, manufactures and markets tackifiers and additives for adhesive products with a strong focus on attractive end markets such as hygiene, packaging and high performance tire additives for US$1 billion (approximately £728 million), on a cash-and-debt-free basis (the **"Acquisition"**).

The Acquisition represents an enterprise multiple for Adhesive Technologies of 10.3 times the Adhesive Technologies June 2021 LTM Adjusted EBITDA (as defined in paragraph 4 of *Important Information*), before the impact of cost synergies for the Acquisition. The Acquisition represents an attractive enterprise multiple for Adhesive Technologies of 8.3 times Adhesive Technologies June 2021 LTM Adjusted EBITDA, including target run-rate pre-tax cost synergies of US$23 million by the end of the third year following Completion.

Owing to its size, the Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules, and therefore requires the approval of Shareholders. Accordingly, a General Meeting has been convened for 12:00 pm on 17 December 2021 at the Company's offices at 45 Pall Mall, London, SW1Y 5JG to approve the Acquisition.

In addition, Shareholders will be asked to approve an increase in the borrowing limit set out in the Articles of Association (and further increased by ordinary resolution dated 31 July 2019) from £1,500,000,000 to £2,000,000,000 to provide sufficient headroom for future borrowings to be made.

Accordingly, the Shareholders will be asked at the General Meeting to approve the following ordinary resolutions (the **"Resolutions"**):

- *Resolution 1: subject to and conditional upon the passing of Resolution 2, to approve the Acquisition; and*
- *Resolution 2: that the borrowing limit set out in Article 93.2 of the Articles of Association (and further increased by ordinary resolution dated 31 July 2019) be increased from £1,500,000,000 to £2,000,000,000.*

An explanation of the Resolutions are set out in paragraph 13.2 below. In the event that the Resolutions are not passed, the Acquisition will not proceed.

The Company intends to finance the Acquisition, and related fees and expenses, from: (1) the net proceeds of the placing which closed on 28 October 2021 and raised proceeds of approximately £203 million, after fees and expenses (the **"Placing"**), as set out in paragraph 8.1 below; (2) drawings under the Term Facility, as defined and set out in paragraph 8.2 below; (3) existing cash; and (4) drawings under the Synthomer Group's RCF.

The purpose of this letter is to give you further details of the Acquisition, including the background to, and reasons for it, and to explain why the board of Directors of Synthomer (the "**Board**") considers the Acquisition to be in the best interests of Synthomer and Shareholders as a whole and unanimously recommends that Shareholders vote in favour of the Resolutions.

2. Background to, and reasons for, the Acquisition

2.1 Background to the Acquisition

Synthomer is a global differentiated chemicals company listed on the London Stock Exchange with a market capitalisation of approximately £2.25 billion. With strong geographic diversity and product differentiation, Synthomer is a major global business serving a wide range of end-markets including adhesives, coatings, construction, health and protection and textiles.

Adhesive Technologies develops, manufactures and markets tackifying resins and additives for adhesive products, with a strong focus on attractive end markets such as hygiene, packaging and high performance tyre additives. Adhesive Technologies has a global presence with a focus on high-value applications and c.83% of sales in North America and EMEA for the year ended 31 December 2020. Adhesive Technologies' operations consist of 2 business lines: Hydrocarbon Resins ("**HCR**") and Non-Hydrocarbon Resins ("**Non-HCR**").

Synthomer has built up a strong track record of delivering growth both organically and inorganically. The Directors believe that the combination of Synthomer and Adhesive Technologies (together, the "**Enlarged Group**") will allow Synthomer to accelerate its strategy of driving growth and diversification and will enhance Synthomer's global portfolio providing further exposure to the attractive adhesives end markets. The Acquisition represents an important step in Synthomer's inorganic investment strategy, further strengthening its leadership position in growth markets and relationships with its blue-chip customer base.

2.2 Reasons for the Acquisition

The Directors believe the Acquisition represents an attractive opportunity and will bring significant benefits to Synthomer:

- ***Well-invested assets with a global leading position in adhesives***

  Adhesive Technologies is a global brand with a broad range of blue-chip customers and a product portfolio with differentiated capabilities across five key product segments. It is the second largest global hydrocarbon adhesive resins business and will transform Synthomer's adhesives position to a global leader.

- ***Six plants with strong Safety, Health & Environment standards and manufacturing excellence heritage***

  Adhesive Technologies has well invested manufacturing plants in Jefferson (Pennsylvania), Longview (Texas) and Middelburg (Netherlands) running at high utilisation rates benefitting from recently completed expansion projects. All six sites hold ISO 9001 certifications for SHE and

Quality. Adhesive Technologies has a flexible manufacturing asset base enabling strategic alternation between products on the same production line.

- ***Increased exposure to attractive end-markets with resilient and GDP+ growth fundamentals***

  The Acquisition will provide increased exposure to growing and sustainable end-markets such as hygiene, packaging and high performance tyre additives. These end markets are underpinned by a broad range of global megatrends that support long term growth, including: accelerating urbanisation, growing middle class and aging population, increasing demand for sustainable and low VOC solutions and the rise of E-commerce accentuated by the COVID pandemic.

- ***Greater scale and diversity to Synthomer's portfolio, and further extending the Company's geographic footprint***

  The Acquisition is in-line with Synthomer's strategy to further diversify its portfolio, end-markets and geographies. Eastman's Adhesive Resins business will form a new division, Adhesive Technologies—representing c.17% of combined revenue of £2.6 billion based on a 12 month period ended June 2021. From a geographic perspective, the Acquisition will build on the OMNOVA transaction in 2020 and increases Synthomer's presence in North America to c.23% of combined revenue of £2.1 billion based on the year ended 31 December 2020. The Enlarged Group will benefit from having a broader platform for further inorganic growth opportunities.

- ***Strong R&D track record driving opportunities for further innovation-led growth***

  Adhesive Technologies has historically spent c.3% of revenue per annum on R&D. This has enabled it to develop a strong pipeline of specialty products such as Regalite UltrapureTM (H2HCR), ImperaTM (Tyre Resins) and AerafinTM (APO) segments. This focus on innovation is complementary to Synthomer's own strategy to drive a greater number of products from R&D investment.

- ***Alignment with our sustainability roadmap—large and growing portfolio of sustainable products***

  The majority of Adhesive Technologies' products are primarily used in the HMA ("**Hot Melt Adhesives**") technology, which is the most attractive and rapidly growing adhesives technology due to its increased penetration in pressure sensitive tapes, displacing solvent technologies, and its broad range of applications, including in the resilient and growing hygiene segment. HMA technology is a leading, sustainable adhesives platform due to high tackifier content and zero solvent use, minimising material waste and VOCs. Furthermore, Adhesive Technologies provides a positive ESG contribution from its sustainability focused innovation pipeline and established positions in pine-based and tall oil rosins offering a bio-based, low carbon and renewable raw material source, all well suited to address increasing regulatory and customer sustainability demands. Additionally, Adhesive Technologies has a complementary low Scope 1 and 2 CO_2 equivalent emissions with opportunity for further reduction.

3. Synergies and integration

The Directors believe that the Acquisition will enhance shareholder value. The Directors expect that the Acquisition will deliver double digit EPS accretion in the first full financial year following Completion.

The Directors expect the Acquisition to result in estimated recurring run rate pre-tax cost synergies of approximately US$23 million (approximately £16.9 million) per annum by the end of the third year following Completion. The Directors believe that the Acquisition represents an opportunity to deliver potential cost synergies across the following areas:

- Operational performance improvement in manufacturing and supply chain (expected to contribute approximately 45% of the full run-rate pre-tax cost synergies);
- Corporate savings (expected to contribute approximately 45% of the full run-rate pre-tax cost synergies); and
- Commercial and Technology synergies (expected to contribute approximately 10% of the full run-rate pre-tax cost synergies).

The Directors expect approximately 50% of the annual run rate pre-tax cost synergies to be realised by the end of the first year following Completion, approximately 75% of the annual run rate pre-tax cost synergies to be realised by the second year following Completion and the full annual run rate pre-tax cost synergies to be achieved by the end of the third year following Completion.

The Directors expect that the realisation of these cost synergies will require one-off implementation costs of approximately US$17 million (approximately £12.6 million). These are expected to be phased across a three-year period following Completion.

In developing the synergy benefits, the Board has undertaken a rigorous process covering the following steps:

- The Board has worked to evaluate and assess the potential synergies available from the Acquisition, based on past acquisition experience.
- The assessment and quantification of the potential synergies has been informed by the Board's extensive industry experience, knowledge of Synthomer and Adhesive Technologies as well as information gathered during the due diligence process.
- The cost synergies have been assessed relative to a cost base of the carved-out Adhesive Technologies business, adjusted to reflect a standalone position for a trade buyer. The Directors have then sought to normalise the costs to reflect a more typical cost position, including relating to ongoing cost saving initiatives in both companies.
- Key assumptions have been discussed with Adhesive Technologies' operational management.

The Directors have considered dis-synergies in quantifying the net impact of the synergy benefits and these are not expected to be material.

The cost synergies indicated above are expected to be recurring and are contingent on Completion and could not be achieved independently of the Acquisition. The Directors confirm that the cost synergies reflect both beneficial elements and relevant costs associated with achieving these cost synergies.

Furthermore, the Directors expect Synthomer's return on invested capital associated with the Acquisition to exceed its cost of capital in the third full financial year after Completion.

An estimated leverage of approximately 1.6x net debt / EBITDA[(1)] for the Enlarged Group is expected at Completion.

4. Information on Synthomer

Synthomer is a global differentiated chemicals company listed on the London Stock Exchange with a market capitalisation of approximately £2.25 billion. Synthomer produces innovative formulations in the global lattices, dispersions and polymer markets with a broad range of chemistries including vinyl acetate and acrylic based dispersions, styrene butadiene latex (**"SBR latex"**), re-dispersible powders, powder coatings, and acrylonitrile butadiene latex (**"NBR latex"**). The applications served cover a diverse range of end markets including adhesives, coatings, construction, health and protection and textiles.

Synthomer is a leading player in many of its chosen markets and has a proven record of generating added value to its customers through deep application expertise and strong research and development support. With the acquisition of OMNOVA in April 2020, Synthomer has meaningfully expanded its global presence in many of the same end markets served by Adhesive Technologies, including adhesives, hygiene, and construction. Synthomer's adhesives products are supported by a dedicated team of PhD scientists and have lab capabilities in Akron, Ohio; Roebuck, South Carolina; Marl, Germany; and Shanghai, China.

5. Information on Adhesive Technologies

Adhesive Technologies develops, manufactures and sells tackifying resins and additives for adhesive products, with a strong focus on attractive end markets such as hygiene, packaging and high

(1) Based on Synthomer's net debt as at 30 June 2021 adjusted for the Term Facility, the RCF and completion of the Placing and Acquisition. Estimated EBITDA for the Enlarged Group is based on Adhesive Technologies June 2021 LTM Adjusted EBITDA, Synthomer's EBITDA for the LTM ended 30 June 2021 of £482 million and estimated 50% of run-rate pre-tax cost synergies for the Acquisition (see paragraph 3 of this Part I (*Chair's Letter*) for further details on cost synergies).

performance tyre additives. Adhesive Technologies has a global presence with a focus on high-value applications and c.83% of sales in North America and EMEA for the year ended 31 December 2020. Adhesive Technologies' operations consist of 2 business lines: Hydrocarbon Resins and Non-Hydrocarbon Resins.

The Hydrocarbon Resins business line consists of three key product segments: Hydrogenated Hydrocarbon Resins (**"H2HCR"**), Non-Hydrogenated Hydrocarbon Resins (**"Non-H2HCR"**) and Pure Monomer Resins (**"PMR"**). The business line produces resins for use in a wide range of applications including hot melt adhesives, sealants, coatings, packaging, tapes & labels assembly, rubber and tyre additives. Adhesive Technologies' H2HCR products display excellent thermal and colour stability and broad compatibility with numerous other chemicals, with direct food contact FDA clearance for some grades. Non-H2HCR products are compatible with a variety of materials including natural and synthetic rubbers, Ethylene Vinyl Acetate (**"EVA"**) and block copolymers, polyethylene and waxes. PMRs have displayed compatibility with all common tyre elastomers, enhanced wet and dry grip and tack, and good dispersion for higher mixing efficiencies. There have also been innovation opportunities identified for this segment within recycling, hygiene and auto applications.

The Non-Hydrocarbon Resins business line consists of two key product segments: Oleo Chemicals, Rosins & Dispersions (**"OCRD"**) and Amorphous Polyolefins (**"APO"**). OCRD serves end markets including tapes & labels, building & construction, packaging, hygiene, personal care and chewing gum. Products in this segment provide improved stability, less-to-no skin sensitisation, less UV absorption and compatibility with amorphous polyolefin-based adhesives. APO serves end markets including building & construction, packaging, hygiene, hot-melt adhesives, automotive and woodworking, with products that exhibit excellent thermal stability, low odour, excellent peel strength, superior tackifier loading and wide resin compatibility. Innovation opportunities have been identified within the hygiene, durable assembly and auto applications.

6. Summary financial information on Adhesive Technologies

Under Synthomer's IFRS accounting policies, Adhesive Technologies generated revenue and Adjusted EBITDA were as follows[(2)]:

(millions)	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020	June 2021 LTM (unaudited)
Revenue (US$)	675.1	578.4	566.4	595.6
Revenue (£)	503.8	451.9	442.5	431.6
Operating profit (US$)	99.6	48.6	33.4	47.0
Operating profit (£)	74.3	38.0	26.1	34.1
Adjusted EBITDA (US$)	128.7	94.5	77.3	97.3
Adjusted EBITDA (£)	96.0	73.8	60.4	70.5

The performance of the Adhesive Technologies business has improved on both a revenue and profitability perspective compared to the COVID-19 impacted comparative of 2020. Adjusted EBITDA for the 12 months to June 2021 improved to $97.3m versus the $77.3m for the 12 months to December 2020. The performance reflects the continued improving macroeconomic environment and higher levels of capacity utilisation across plants. The business has also been successful in implementing pricing actions to offset raw material increases and saw the benefits of the execution of the pipeline of product innovations. Current trading has seen a continuation of this improving trend in line with management's expectations.

Adhesive Technologies' gross assets as at 31 December 2020 were US$657 million (approximately £480 million)[(3)].

Shareholders should read this document as a whole and not rely solely on the summary financial information set out in this paragraph 6.

(2) Based on US$ / £ average exchange rate for 2018, 2019, 2020 and June 2021 LTM period of 1.34, 1.28, 1.28, 1.38 as derived from data provided by Bloomberg

(3) Based on US$ / £ closing exchange rate on 31 December 2020 of 1.37 as derived from data provided by Bloomberg

7. Summary of the key terms of the Acquisition

On 28 October 2021, the Company entered into the Purchase Agreement, with Eastman Chemical Company and certain other members of the Eastman Group to purchase (1) Eastman Chemical Middelburg B.V., (2) a newly-formed subsidiary of Eastman Chemical Resins, Inc. which will hold certain US assets relating to Adhesive Technologies, (3) a newly-formed subsidiary of Eastman which will hold certain assets in Mexico and (4) a newly-formed subsidiary of Eastman Chemical Ltd. and Eastman Chemical Adhesives (Hong Kong) which will hold one half of the outstanding and issued equity interests in Nanjing Yangzi Eastman Chemical Ltd. and (5) certain specified assets of the Eastman Group related to or used in connection with Adhesive Technologies.

For more information on the Purchase Agreement, see Part V (*Summary of the Principal Terms and Conditions of the Purchase Agreement*) of this document.

7.1 Conditions to the Acquisition

The obligations of the parties to the Purchase Agreement to complete the Acquisition are subject to the satisfaction or waiver of certain conditions (the "**Conditions**"). Such Conditions include:

(i) the affirmative vote in favour of approval of the Resolutions required to approve and implement the Acquisition by the Shareholders representing a simple majority of the votes represented in person or by proxy at the General Meeting (the "**Shareholder Approval**");

(ii) the expiration or termination of the applicable waiting period (or extension thereof) under the HSR Act and the receipt of certain other applicable antitrust consents or approvals and the expiration or termination of any applicable waiting periods (or extensions thereof) thereto; and

(iii) other customary Conditions as set out in paragraph 2 of Part V (*Summary of the Principal Terms and Conditions of the Purchase Agreement*).

7.2 Completion

Assuming satisfaction or waiver of all Conditions, Completion is expected to occur during Q1 of 2022. The expected timetable of principal events for the Acquisition is set out on page 3. Any revision to this timetable will be promptly notified to Shareholders, by Synthomer, via a Regulatory Information Service.

Following Completion, Synthomer will announce via a Regulatory Information Service that the Acquisition has taken effect.

8. Financing

Synthomer intends to finance the Acquisition, and related fees and expenses, from: (1) the net proceeds of the Placing (as set out in paragraph 8.1 below) of approximately £203 million after fees and expenses; (2) drawings from the Term Facility (as set out in paragraph 8.2 below); (3) existing cash; and (4) drawings under the Synthomer Group's RCF.

8.1 Key terms of the Placing

The Company announced on 28 October 2021 that it had completed a placing of 42,485,080 new Shares (the "**Placing Shares**"), representing approximately 10% of the Company's issued share capital, to institutional investors by way of an accelerated bookbuild (the "**Placing**"). The Placing Shares were issued at a price of 485 pence per share (the "**Placing Price**") raising net proceeds of approximately £203 million after fees and expenses.

On 1 November, the Placing Shares were admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange.

The Placing Shares rank *pari passu* in all respects with the existing Shares of the Company, including the right to receive all dividends and other distributions declared or paid in respect of the Shares.

The Company intends to use the net proceeds of the Placing in part payment of the consideration payable in respect of the Acquisition.

The Placing was not conditional upon Completion of the Acquisition. If one or more of the Conditions are not satisfied and Completion does not occur, the Company will consider how best to use the Placing proceeds.

In connection with the Placing, Kuala Lumpur Kepong Berhad ("**KLK**"), a substantial shareholder of the Company and therefore a related party of the Company for the purposes of the Listing Rules, subscribed for 9,067,728 Placing Shares in the Placing at the Placing Price, representing an aggregate consideration of approximately £44 million. Following completion of the Placing, KLK now holds 99,745,012 Shares, representing approximately 21.3% of the existing ordinary share capital of Synthomer in issue as at the Latest Practicable Date. The participation in the Placing by KLK constituted a smaller related party transaction for the purpose of Listing Rule 11.1.10R.

The Placing was underwritten subject to the conditions set out in the Placing and Sponsor's Agreement (see further paragraph 5.1.2 of Part VI (*Additional Information*)).

8.2 Key terms of the Term Facility

On 28 October 2021, Synthomer as original borrower and original guarantor and Synthomer (UK) Limited, Synthomer Trading Limited and Synthomer Holdings Limited as original guarantors entered into a term loan facility agreement with, among others, Barclays Bank PLC, Citi, HSBC and Santander as mandated lead arrangers and bookrunners, Barclays Bank PLC, Citibank, HSBC and Santander as original lenders and HSBC as agent (the "**Term Loan Facility Agreement**").

The facility provided under the Term Loan Facility Agreement is a US$300 million term facility which matures on 28 October 2024 (the "**Term Facility**"):

For more information on the Term Loan Facility Agreement and Term Facility, please see paragraph 5.1.3 of Part VI (*Additional Information*) of this document.

9. Irrevocable undertakings

The Directors of the Company have irrevocably undertaken to vote or procure that the registered holders vote in favour of the Resolutions in respect of their beneficial holdings and certain non-beneficial holdings for which they have an aggregate interest amount of 9,057,472 Shares, representing approximately 1.9% of the existing ordinary share capital of Synthomer as at the Latest Practicable Date. In addition, Calum MacLean, who stepped down as CEO of the Company on 1 November 2021, has irrevocably undertaken to vote or procure that the registered holders vote in favour of the Resolutions. As at the date of the Purchase Agreement, Calum MacLean held 1,067,347 Shares.

KLK, which holds 99,745,012 Shares, representing approximately 21.3% of the existing ordinary share capital of Synthomer as at the Latest Practicable Date, has irrevocably undertaken to vote in favour of the Resolutions.

10. Management and employees

The Enlarged Group's headquarters will be the Company's existing headquarters at 45 Pall Mall, London, SW1Y 5JG, United Kingdom and the Enlarged Group's registered office will be the Company's existing registered office at Temple Fields, Harlow, Essex, CM20 2BH, United Kingdom.

Following the Acquisition, the existing contractual and statutory employment rights of all employees of Adhesive Technologies who will be employed by the Enlarged Group will be fully observed.

11. Dividends and dividend policy

For the year ended 31 December 2020, the Board proposed a final ordinary dividend per Share of 8.6p, resulting in a total dividend per Share for the year of 11.6p. This is in line with the Synthomer Group's dividend policy with the dividend representing 40% of the Underlying EPS. The final dividend per share was approved at the Annual General Meeting on 29 April 2021 and paid on 5 July 2021 to those Shareholders registered at the close of business on 4 June 2021. An interim dividend of 8.7p per share was approved by the Board on 4 August 2021 and paid on 4 November 2021 to those Shareholders registered at the close of business on 8 October 2021.

Following the Acquisition, and subject to the Enlarged Group's trading prospects being satisfactory, the Company's dividend policy will remain unchanged.

12. Current trading and prospects for Synthomer and Adhesive Technologies

12.1 Synthomer

Since Synthomer's reported Interim Results on 5 August 2021, underlying demand has remained strong and in line with management expectations:

- The Movement Control Order in Malaysia was implemented to restrict the impact of COVID-19, leading to reduced customer utilisation and demand.
- Action to offset raw material inflation, coupled with the continued benefits from OMNOVA, investment in new capacity and ongoing efficiency measures has underpinned performance.
- Consequently, Synthomer's outlook for the full year remains unchanged with FY2021 EBITDA expected to be in excess of £500m.

Looking ahead, the Group continues to expect Performance Elastomers to normalise in Q1 2022 as the impact of the COVID-19 pandemic reduces and incremental market capacity comes online.

The Board is confident that the business model provides differentiation and increasing specialisation and the Group's strong balance sheet is expected to support continued inorganic and organic growth in due course.

12.2 Adhesive Technologies

The Combined Historical Financial Information of Adhesive Technologies for the year ended 31 December 2020 is set out in section A of Part III (*Combined Historical Financial Information of Adhesive Technologies*) of this document.

Subsequent to 31 December 2020, the performance of the Adhesive Technologies business in the 10 months to 31 October 2021 has improved relative to the COVID-19 impacted comparative period in 2020 and is trading in line with management expectations.

The Board believes that the performance of the Adhesive Technologies business will continue to improve as a result of the continued development of innovative products and the synergies delivered in integrating the business into the existing Synthomer Group.

13. General Meeting and the Resolutions

13.1 General Meeting

Owing to its size, the Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules, and therefore requires the approval of Shareholders. Accordingly, a General Meeting has been convened for the purpose of approving the Acquisition.

Set out on page 80 of this document is the Notice of General Meeting to be held at 12:00 pm on 17 December 2021 at the Company's offices at 45 Pall Mall, London, SW1Y 5JG, United Kingdom, at which the Resolutions (summarised below) will be proposed. The full text of the Resolutions are set out in the Notice of General Meeting.

The Resolutions will be proposed as ordinary resolutions requiring a simple majority of votes cast in favour.

13.2 Resolutions

The implementation of the Acquisition is conditional upon, among other things, Shareholders' approval of the Resolutions being obtained at the General Meeting.

Resolution 1

Resolution 1 proposes that, subject to and conditional upon the passing of Resolution 2, the Acquisition be approved and the Directors be authorised to make any such non-material amendments, waivers or extensions to the terms of the Acquisition or the Purchase Agreement which they in their absolute discretion consider necessary, appropriate or desirable to implement the Acquisition and to take all steps and to do all things which they consider necessary or desirable to implement the Acquisition.

Resolution 2

Resolution 2 proposes that the increase in the borrowing limit set out in Article 93.2 of the Articles of Association (and further increased by ordinary resolution dated 31 July 2019) from £1,500,000,000 to £2,000,000,000 be and is hereby approved.

Resolution 2 is sought to provide sufficient headroom for future borrowings to be made.

For the avoidance of doubt, Resolution 2 may be passed without Resolution 1 being passed, however the Acquisition is conditional on, among other things, both Resolutions being passed. In the event that the Resolutions are not passed, the Acquisition will not proceed.

13.3 Actions to be taken

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY by no later than 12:00 pm on 15 December 2021 (or, in the case of an adjournment, no later than 48 hours before the time fixed for the holding of the adjourned meeting).

If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by no later than 12:00 pm on 15 December 2021 (or, in the case of an adjournment, no later than 48 hours before the time fixed for the holding of the adjourned meeting).

Please refer to the Notice of General Meeting for guidance notes on the return of the Form of Proxy and other applicable voting documentation.

13.4 Further information

Your attention is drawn to the additional information set out in Part II (*Risk Factors*) and Part VI (*Additional Information*) of this document. You are advised to read the whole document and not merely rely on the key or summarised information in this letter.

14. Financial advice

The Board has received financial advice from Barclays in relation to the Acquisition. In providing its financial advice to the Board, Barclays has relied upon the Board's commercial assessment of the Acquisition.

15. Recommendation

The Board considers the Acquisition and the Resolutions to be in the best interests of Synthomer and Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions set out in the Notice of General Meeting.

The Directors of the Company have irrevocably undertaken to vote or to procure that the registered holders vote in favour of the Resolutions in respect of their beneficial holdings and shares in respect of which they have an interest amounting to 9,057,472 Shares in aggregate, representing approximately 1.9% of the existing ordinary share capital of Synthomer in issue as at the Latest Practicable Date.

Yours faithfully

Caroline Johnstone
Chair

PART II

RISK FACTORS

The Acquisition may give rise to a number of risks which, if they occur, may have a material adverse effect on the business, financial condition, results of operations or prospects of the Synthomer Group and following Completion, the Enlarged Group. Accordingly, the risk factors should be afforded careful consideration together with all the other information set out in, or incorporated by reference into, this document in deciding whether to approve the Resolutions being put to the Shareholders at the General Meeting.

The risks which the Directors consider to be material as at the date of this document are set out in this Part II. The risks described in this Part II are based on information known at the date of this document but may not be the only risks to which the Synthomer Group and, following Completion, the Enlarged Group, are or might be exposed.

Additional risks and uncertainties, which are currently unknown to the Synthomer Group or that the Synthomer Group does not currently consider to be material, may adversely affect the business of the Synthomer Group and, following Completion, the Enlarged Group and could have a material adverse effect on the business, financial condition, operating or financial results and future prospects of the Synthomer Group and, following Completion, the Enlarged Group.

If any of the following risks were to materialise, the business, financial condition, operating or financial results and future prospects of the Synthomer Group and, following Completion, the Enlarged Group could be materially adversely affected and the value of Shares could decline and Shareholders could lose all or part of their investment in those Shares.

Shareholders should read this document as a whole and not rely solely on the information set out in this section.

1. Material risks relating to the Acquisition

1.1 Completion is subject to a number of Conditions which may not be satisfied or waived or which may be satisfied subject to conditions imposed by regulatory bodies or other third parties and may result in Completion being delayed or the Acquisition not completing

Completion of the Acquisition is conditional upon, among others, the satisfaction or waiver of certain Conditions. Such Conditions include:

(i) the affirmative vote in favour of approval of the Resolutions required to approve and implement the Acquisition by the Shareholders representing a simple majority of the votes represented in person or by proxy at the General Meeting;

(ii) the expiration or termination of the applicable waiting period (or extension thereof) under the HSR Act and the receipt of certain other applicable consents or antitrust approvals and the expiration or termination of any applicable waiting periods (or extensions thereof) thereto; and

(iii) other customary Conditions.

There is no guarantee that the Conditions will be satisfied (or waived, if applicable) in the necessary time frame and the Acquisition may, therefore, be delayed or not completed. Although Synthomer and Eastman have agreed in the Purchase Agreement to use their reasonable best efforts, subject to certain limitations, to complete the Acquisition as promptly as practicable, the Conditions may fail to be satisfied. In addition, satisfying the Conditions may take longer, and could cost more, than Synthomer and Eastman expect. Any delay in completing the Acquisition may adversely affect the synergies and other benefits that Synthomer expects to achieve if the Acquisition and the integration of the companies' respective businesses are completed within the expected timeframe. In addition, Synthomer's and Eastman's management would have spent significant time in connection with the Acquisition, which could otherwise have been spent in connection with the other activities of the Synthomer Group and Adhesive Technologies, as applicable. Therefore, the aggregate consequences of a material delay in completing or failure to complete the Acquisition may have a material adverse effect on the business, financial condition and operating or financial results of the Synthomer Group, Adhesive Technologies and, in the case of a delay only, the Enlarged Group.

1.2 The Enlarged Group's success will be dependent upon its ability to integrate the Synthomer Group and Adhesive Technologies and deliver the value of the combined underlying businesses; the full financial benefits and synergies expected from the Enlarged Group may not be fully achieved

The Synthomer Group and Adhesive Technologies have operated and, until Completion, will continue to operate, independently and there can be no assurances that their businesses can be integrated successfully. The success of the Enlarged Group will depend, in part, on the effectiveness of the integration process and the ability of the Enlarged Group to realise the anticipated financial benefits and synergies from combining the respective businesses.

In particular, some of the key integration challenges of combining the businesses include consolidation and co-ordinating services and operations, retaining key contracts, maintaining relationships with customers and suppliers, harmonising business cultures, consolidating infrastructure, procedures, processes, facilities, systems and policies and compensation structures, realising synergies, and retaining key employees of the Enlarged Group. If the Enlarged Group does not properly manage these challenges, they may affect the effective running of the business in the ordinary course and the efficient allocation, including redeployment, of resources in the Enlarged Group.

While the Directors believe that the financial benefits and synergies of the Acquisition and the costs associated with the Acquisition have been reasonably estimated, unanticipated events or liabilities may arise or become apparent which result in a delay or reduction in the benefits anticipated to be derived from the Acquisition, or in costs significantly in excess of those estimated. No assurance can be given that the integration process will deliver all or substantially all of the expected benefits or realise any such benefits within the assumed timeframe, or that the costs to integrate and achieve the financial benefits and synergies will not be higher than anticipated.

Further, the demands that the integration process may have on management time could result in diversion of the attention of the Synthomer Group's and Adhesive Technologies' management and employees from ongoing operations, pursuing other potential business opportunities and may cause a delay in other projects currently contemplated by each group.

To the extent that the Enlarged Group is unable to efficiently integrate the operations of the Synthomer Group and Adhesive Technologies, realise anticipated financial benefits and synergies, retain key personnel and avoid unforeseen costs or delay, there may be a material adverse effect on the business, financial condition, operating or financial results and/or prospects of the Enlarged Group.

1.3 The uncertainties about the effects of the Acquisition could have a materially adverse effect on the Synthomer Group, Adhesive Technologies, and, if the Acquisition completes, the Enlarged Group

Uncertainty about the effects of the Acquisition, including effects on employees, partners, customers, vendors, distributors and suppliers, may have a material adverse effect on the business, financial condition and operating or financial results of the Synthomer Group, Adhesive Technologies and, if the Acquisition completes, the Enlarged Group. These uncertainties could cause parties that have business or other relationships with the Synthomer Group or Adhesive Technologies to defer the completion of transactions or other decisions concerning the business of the Synthomer Group or Adhesive Technologies and, if the Acquisition completes, the Enlarged Group or to seek to change their terms of business. In addition, prior to and following Completion, there is also a risk that some current and prospective employees may experience uncertainty about their future roles within the Enlarged Group, which may adversely affect the Synthomer Group's, Adhesive Technologies' and, following Completion, the Enlarged Group's ability to retain or recruit key managers and other employees.

1.4 Synthomer may be obligated to complete the Acquisition even if an adverse change to Adhesive Technologies' business or prospects were to occur prior to Completion

The Company is able to terminate the Purchase Agreement only in certain limited circumstances, including if Completion has not occurred on or prior to 28 July 2022 (the "**Longstop Date**"), any law or legal proceeding or order prohibits the Acquisition, Shareholder Approval is not obtained or if certain Conditions are unfulfilled at the Longstop Date as a result of any inaccuracy in, breach of or failure to perform any of the Sellers' representations, warranties or covenants. Certain changes, events or developments may have a significant negative impact on Adhesive Technologies but nonetheless the

Company may still be obligated to complete the Acquisition pursuant to the terms of the Purchase Agreement. Such changes, events or developments may include changes to US or global economic conditions, any failure by Adhesive Technologies to meet any internal or published projections or forecasts or the impact of entering into the Purchase Agreement on Adhesive Technologies' relationships with employees, customers or suppliers. Due to the limited termination rights and closing conditions in favour of the Company under the Purchase Agreement, even if such adverse changes to Adhesive Technologies' business or prospects were to occur prior to Completion, Synthomer may still be required to complete the Acquisition, and the market price of the Enlarged Group's shares may suffer.

1.5 The Company may be required to pay a termination fee in certain circumstances

The Company is required to pay the Sellers the sum of US$27,651,000 (approximately £20,138,000) if the Purchase Agreement is terminated (a) by the Sellers or the Company where the Shareholder Approval was not obtained at the General Meeting, or (b) by the Sellers prior to the General Meeting the Board has made a Company Recommendation Change.

1.6 The Acquisition may be subject to litigation, which could delay the Acquisition and prevent Completion

Members of the Synthomer Group and Adhesive Technologies may in the future be party to legal proceedings and claims related to the Acquisition or the Purchase Agreement. Legal challenges to the Acquisition could result in an injunction, preventing or delaying Completion. Litigation could also result in the Synthomer Group, Adhesive Technologies and, following Completion, the Enlarged Group incurring defence costs and other liabilities.

1.7 Increased Synthomer indebtedness in connection with the Acquisition may affect the Enlarged Group's business flexibility in the longer term

Following Completion, the Enlarged Group will have increased debt compared to the Synthomer Group's existing level of debt. The Synthomer Group's consolidated net debt was £354 million as at 30 June 2021. Synthomer expects to incur approximately US$300 million (approximately £218 million) of additional debt in connection with the Acquisition as a result of financing to complete the Acquisition, in addition to the cash financing and use of net proceeds of the Placing. In the longer term, this increased level of debt could have the effect, among other things, of reducing the Enlarged Group's flexibility to respond to changing business and economic conditions. In addition, the amount of cash required to service the Enlarged Group's increased debt levels and increased aggregate dividends following Completion and thus the demands on the Enlarged Group's cash resources will be greater than the amount of cash flows required to service the Synthomer Group's debt and pay dividends prior to the Acquisition. The increased levels of debt and dividends following Completion could, in the longer term, also reduce funds available for the Enlarged Group's investments in capital expenditures, further M&A activities, share repurchases and other activities and may create competitive disadvantages for the Enlarged Group relative to other companies with lower debt levels.

2. Material risks relating to the Synthomer Group which will be impacted by the Acquisition

2.1 As a result of the Acquisition, the Enlarged Group will have increased exposure to environmental, health and safety laws and other regulations in certain jurisdictions, particularly the United States, which could have an adverse effect on the results of operations, cash flows and financial position of the Enlarged Group following Completion

The Synthomer Group and Adhesive Technologies use and, following Completion, the Enlarged Group will use large quantities of hazardous substances and generate hazardous wastes in their manufacturing operations. Consequently, the operations of the Synthomer Group and Adhesive Technologies are and, following Completion, the Enlarged Group will be subject to extensive environmental, health and safety laws and regulations at both the national and local level in multiple jurisdictions, which could have an adverse effect on the business, financial condition, operating or financial results and cash flows of the Enlarged Group following Completion.

The products and many of the applications for the products in the end sectors are regulated by various national and local rules, laws and regulations, such as the US Toxic Substances Control Act, the EU Registration, Evaluation, Authorisation & Restriction of Chemicals Regulation ("**Reach Regulation**") and the European Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures (the "**CLP Regulation**"). Adhesive Technologies has a significant presence in the United States and therefore, following Completion, the Enlarged Group will have increased presence and therefore exposure in the United States to its environmental, health and safety laws and regulations. In addition, Adhesive Technologies has manufacturing operations in Mexico in which the Synthomer Group does not, which has its own environmental, health and safety laws and regulations and, following Completion, the Enlarged Group will be subject to these additional laws and regulations. Many of these laws and regulations have become more stringent over time and the costs of compliance with these requirements may increase, including costs associated with any necessary capital investments. Compliance with environmental and health and safety laws generally increases the costs of transportation and storage of raw materials and finished products, as well as the costs of storage and disposal of wastes.

Certain products of the Synthomer Group and Adhesive Technologies have a variety of end-uses that have specific regulatory requirements such as those relating to products that have contact with food or medical device end-uses. Changes in environmental, health and safety regulations affecting these products could lead to a decrease in demand for such products. Changes in environmental, health and safety regulations in jurisdictions where the Synthomer Group, Adhesive Technologies and, following Completion, the Enlarged Group manufacture and sell their respective products, could lead to a decrease in demand for these products. In addition to changes in regulations, health and safety concerns could increase the costs incurred by customers to use the Synthomer Group, Adhesive Technologies and, following Completion, the Enlarged Group's products and otherwise limit the use of these products, which could lead to decreased demand for these products. Such a decrease in demand likely would have an adverse effect on the business, financial condition and operating or financial results of the Synthomer Group, Adhesive Technologies and, following Completion, the Enlarged Group.

If the Synthomer Group, Adhesive Technologies or, following Completion, the Enlarged Group do not accurately predict and adequately provision for the amount or timing of costs of any future compliance or if they misinterpret their obligations under any of these regulatory changes, they may find themselves in violation of laws, regulations or permits. Given the nature of the business, violations of environmental, health and safety requirements, whether current or future, may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, clean-up costs and other remediation or restoration requirements, claims for personal injury or property damages, the installation of costly pollution control equipment, or restrictions on, or the suspension of, operating permits or activities. The impact on the business of the Synthomer Group, Adhesive Technologies and, following Completion, the Enlarged Group or their financial condition or results of operations in any period in which such costs need to be incurred could be material.

2.2 As a result of the Acquisition, the Enlarged Group will be exposed to local business and political risks in the countries in which it will operate

The Synthomer Group and Adhesive Technologies have and, following Completion, the Enlarged Group will have significant operations in foreign countries, including manufacturing facilities, R&D facilities, sales personnel and customer support operations. Currently, the Synthomer Group operates, or others operate on its behalf, 37 production facilities in 17 countries, and Adhesive Technologies operates, or others operate on its behalf, 6 production facilities in 4 countries. The Enlarged Group will therefore be exposed to additional local business and political risks as a result of the new countries (Mexico) or increased presence within existing countries (the United States and China) that the Enlarged Group will be operating and/or manufacturing within.

These offshore operations are subject to risks inherent in doing business in foreign countries, including, but not necessarily limited to:

- new and different legal and regulatory requirements in local jurisdictions;
- uncertainties regarding interpretation and enforcement of laws and regulations;
- variation in political and economic policy of the local governments and social conditions;
- export duties or import quotas and difficulties in obtaining export licences;
- domestic and foreign customs and tariffs or other trade barriers;
- potential staffing difficulties and labour disputes;

- managing and obtaining support and distribution for local operations;
- increased costs of transportation or shipping;
- variations in business practices;
- credit risk and financial conditions of local customers and distributors;
- difficulties in enforcing agreements and collecting receivables;
- potential difficulties in protecting intellectual property;
- risk of nationalisation of private enterprises by foreign governments;
- potential imposition of restrictions on investments;
- potentially adverse tax consequences, including imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries;
- legal restrictions on doing business in or with certain nations, certain parties and/or certain products;
- foreign currency exchange restrictions and fluctuations; and
- local economic, political and social conditions, including the possibility of hyperinflationary conditions and political instability.

The Synthomer Group, Adhesive Technologies and, following Completion, the Enlarged Group may not be successful in developing and implementing policies and strategies to address the foregoing factors in a timely and effective manner at each location where the Synthomer Group, Adhesive Technologies or, following Completion, the Enlarged Group do business. Consequently, the occurrence of one or more of the foregoing factors could have a material adverse effect on the Synthomer Group's, Adhesive Technologies' or, following Completion, the Enlarged Group's international operations or upon its business, financial condition and operating or financial results.

2.3 As a result of the Acquisition, the Enlarged Group will be subject to increased risks associated with international trade, including various geopolitical events and fluctuations in the global economy

The sale, purchase and shipment of components and products across international borders subjects the Synthomer Group and Adhesive Technologies and, following Completion, will subject the Enlarged Group to extensive governmental trade regulations. Currently, the Synthomer Group operates, or others operate on its behalf, in 17 countries, and Adhesive Technologies operates, or others operate on its behalf, in 4 countries. The Enlarged Group will therefore be exposed to additional risks associated with international trade as a result of the new countries (Mexico) or increased presence within existing countries (the United States and China) that the Enlarged Group will be operating and/or manufacturing within.

The Synthomer Group and Adhesive Technologies are, and, following Completion, the Enlarged Group will be, subject to the risk that laws and regulations could change in a way that would expose them to additional costs, penalties or liabilities. Changes in corporate and other taxation policies, as well as changes in export and other incentives given by various governments or import or tariff policies to restrictions in trade, could adversely affect the Synthomer Group, Adhesive Technologies and, following Completion, the Enlarged Group's results. Imposition of any additional taxes and levies could adversely affect the demand for the Synthomer Group's, Adhesive Technologies' and, following Completion, the Enlarged Group's products. These may be affected by geopolitical events, including the impact of Covid-19 and any associated restrictions, ongoing negotiations between the UK and the EU as a result of Brexit, uncertainty as to the global effect of US trade and tariff policies, strained international relations and widespread increases in global tariffs. Additional developments may also occur that the Synthomer Group, Adhesive Technologies and following Completion, the Enlarged Group cannot currently know about or anticipate, or that may be impossible to plan for or protect against. The effects of such geopolitical events may include further financial instability and slower economic growth, significant regulatory changes, currency fluctuations and inflation in the global economy. Inability to manage these risks could harm the Synthomer Group, Adhesive Technologies and, following Completion, the Enlarged Group's growth prospects.

PART III

COMBINED HISTORICAL FINANCIAL INFORMATION OF ADHESIVE TECHNOLOGIES

Section A: Combined Historical Financial Information relating to Adhesive Technologies

This Section A of Part III (*Combined Historical Financial Information of Adhesive Technologies*) contains combined historical financial information for Adhesive Technologies for the three years ended 31 December 2020, 2019 and 2018.

Combined income statement

For the year ended 31 December 2020, 2019, and 2018

(US$ millions)		2020			2019			2018		
	Note	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
Revenue	5	566.4	—	566.4	578.4	—	578.4	675.1	—	675.1
Operating profit before Special Items		33.1	—	33.1	50.0	—	50.0	97.6	—	97.6
Restructuring and site closure costs	4	—	(2.1)	(2.1)	—	(2.0)	(2.0)	—	(0.1)	(0.1)
Operating profit before share of joint venture		33.1	(2.1)	31.0	50.0	(2.0)	48.0	97.6	(0.1)	97.5
Share of joint ventures	13	2.4	—	2.4	0.6	—	0.6	2.1	—	2.1
Operating profit/(loss)	6	35.5	(2.1)	33.4	50.6	(2.0)	48.6	99.7	(0.1)	99.6
Finance costs	8	(0.2)	—	(0.2)	(0.3)	—	(0.3)	(0.4)	—	(0.4)
Profit/(loss) before taxation		35.3	(2.1)	33.2	50.3	(2.0)	48.3	99.3	(0.1)	99.2
Taxation	9	(6.3)	0.5	(5.8)	(7.9)	0.4	(7.5)	(14.6)	—	(14.6)
Profit/(loss) for the year		29.0	(1.6)	27.4	42.4	(1.6)	40.8	84.7	(0.1)	84.6

Combined statement of comprehensive income
for the years ended 31 December 2020, 2019, and 2018

(US$ millions)	Note	2020	2019	2018
Profit for the year		27.4	40.8	84.6
Items that may be reclassified to the income statement				
Exchange differences on translation of foreign operations		23.2	(4.0)	(11.0)
Unrealised (gain)/loss on cash flow hedges		(4.2)	(2.2)	7.2
Reclassification adjustment for (gains)/losses included in earnings		0.1	(1.2)	(6.5)
Income tax relating to these items		0.7	0.8	(0.3)
Other comprehensive income/(expense) for the year		19.8	(6.6)	(10.6)
Total comprehensive income for the year		47.2	34.2	74.0

Combined statement of changes in Invested Capital
for the years ended 31 December 2020, 2019, and 2018

(US$ millions)	Note	Total invested capital
At 1 January 2020		507.8
Profit for the year		27.4
Other comprehensive loss		19.8
Net transfer to parent	21	(1.8)
At 31 December 2020		553.2

(US$ millions)	Note	Total invested capital
At 1 January 2019		483.2
Profit for the year		40.8
Other comprehensive loss		(6.6)
Net transfer to parent	21	(9.6)
At 31 December 2019		507.8

(US$ millions)	Note	Total invested capital
At 1 January 2018		506.3
Profit for the year		84.6
Other comprehensive loss		(10.6)
Net transfer to parent	21	(97.1)
At 31 December 2018		483.2

Combined balance sheet
as at 31 December 2020, 2019, 2018 and 2017

(US$ millions)	Note	2020	2019	2018	2017 (unaudited)
Non-current assets					
Goodwill	11	77.1	75.5	75.9	76.7
Property, plant and equipment	12	316.7	294.7	269.1	273.2
Deferred tax assets	10	4.0	3.0	0.9	0.8
Investment in joint venture	13	26.5	21.9	21.6	28.1
Other non-current assets		3.5	3.1	4.8	4.8
Total non-current assets		**427.8**	**398.2**	**372.3**	**383.6**
Current assets					
Inventories	14	132.3	173.2	165.4	151.3
Trade and other receivables	15	96.6	41.2	51.5	68.1
Derivative financial instruments	15	—	1.3	4.5	5.6
Total current assets		**228.9**	**215.7**	**221.4**	**225.0**
Total assets		**656.7**	**613.9**	**593.7**	**608.6**
Current liabilities					
Trade and other payables	16	(53.4)	(60.6)	(65.6)	(54.5)
Lease liabilities	17	(1.7)	(1.7)	(1.6)	(1.6)
Current tax liabilities	9	(0.5)	(0.8)	(1.0)	—
Provisions for other liabilities and charges		(2.4)	(0.7)	(0.2)	(0.9)
Derivative financial instruments	15	(2.9)	(1.0)	(0.7)	(3.2)
Total current liabilities		**(60.9)**	**(64.8)**	**(69.1)**	**(60.2)**
Non-current liabilities					
Deferred tax liabilities	10	(37.3)	(35.0)	(34.5)	(34.0)
Lease liabilities	17	(2.9)	(3.8)	(5.0)	(6.6)
Provisions for other liabilities and charges		(0.4)	(0.7)	(0.9)	(1.0)
Other long-term liabilities		(2.0)	(1.8)	(1.0)	(0.5)
Total non-current liabilities		**(42.6)**	**(41.3)**	**(41.4)**	**(42.1)**
Total liabilities		**(103.5)**	**(106.1)**	**(110.5)**	**(102.3)**
Net assets		**553.2**	**507.8**	**483.2**	**506.3**
Equity					
Invested capital	21	553.2	507.8	483.2	506.3
Total invested capital		**553.2**	**507.8**	**483.2**	**506.3**

Combined cash flow statement
for the years ended 31 December 2020, 2019, and 2018

(US$ millions)	Note	2020		2019		2018	
Operating							
Cash generated from operations	19		42.7		73.4		129.5
Interest paid		—		(0.2)		(0.2)	
Interest element of lease payments	17	(0.2)		(0.2)		(0.2)	
Net interest paid			(0.2)		(0.4)		(0.4)
Corporate tax paid		(5.5)		(8.8)		(15.5)	
Total tax paid			(5.5)		(8.8)		(15.5)
Net cash inflow from operating activities			37.0		64.2		113.6
Investing							
Dividends received from joint ventures	13		—		—		7.5
Purchase of property, plant and equipment	12		(34.9)		(46.4)		(23.6)
Net capital expenditure			(34.9)		(46.4)		(23.6)
Net cash outflow from investing activities			(34.9)		(46.4)		(16.1)
Financing							
Repayment of principal portion of lease liabilities	17		(1.5)		(1.4)		(1.4)
Repayment of borrowings	16		—		(6.9)		—
Net transfer to Parent	21		(1.8)		(9.6)		(97.1)
Net cash outflow from financing activities			(3.3)		(17.9)		(98.5)
Increase in cash, cash equivalents and bank overdrafts during the year			(1.2)		(0.1)		(1.0)
Cash and cash equivalents at 1 January			—		—		—
Foreign exchange and other movements			1.2		0.1		1.0
Cash and cash equivalents at 31 December			—		—		—

Notes to the combined historical financial information
For the years ended 31 December 2020, 2019 and 2018

1. General information

This combined historical financial information reflect the Adhesive Technologies business ("**Adhesive Technologies**" or the "**Business**") of Eastman Chemical Company ("**Eastman**"). The Business is a global producer of specialty hydrocarbon, oleochemicals and rosin adhesive resins and dispersions for mainly hot-melt and pressure sensitive applications for the building and construction, hygiene products, packaging and tire industries. The Business maintains a global network of manufacturing facilities throughout the United States, Mexico, Europe and a joint venture site located in Nanjing, China.

The combined historical financial information is prepared in U.S. dollars (Millions), the functional currency of the Business. Foreign operations are included in accordance with the policies set out in note 2.

2 Significant accounting policies

Basis of accounting

This historical financial information has been derived from the consolidated financial statements and accounting records of Eastman. This historical financial information reflects the combined historical results of operations, financial position and cash flows of the Business for the periods presented as historically managed within Eastman.

As the Business has not historically constituted a separate legal entity or group, the combined historical financial information, which has been presented for the purpose of this document, has been prepared on a basis that combines the results, assets and liabilities of the Business by applying principles of consolidation as set out in International Financial Reporting Standards ("**IFRS**") 10—Consolidated Financial Statements. The combined historical financial information does not constitute statutory financial statements within the meaning of Section 434(3) of the Companies Act 2006.

For all periods up to and including the year ended 31 December 2020, the Business has prepared its financial statements in accordance with U.S. generally accepted accounting principles ("**U.S. GAAP**"). This combined historical financial information for the year ended 31 December 2020 is the first the Business has prepared in accordance with IFRS. The most significant impact on the Business' combined historical financial information was:

- the retrospective adoption of IFRS 16, *Leases* to be effective 31, December 2017 for IFRS reporting instead of 31, December 2018 for U.S. GAAP. There was no material impact to the Business' combined historical financial information as a result of this change.

This combined historical financial information has been prepared in accordance with International Accounting Standards in conformity with UK adopted International accounting standards, and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. This combined historical financial information has been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The Business has historically been managed as the Adhesive Technologies business unit group and the Tire Resins business unit, both included in the Additives & Functional Products ("AFP") reporting segment of Eastman, and is held in a combination of dedicated legal entities and comingled legal entities. Comingled legal entities include activities of both Eastman and the Business. Accordingly, the net investment of the parent ("**invested capital**") is presented in lieu of stockholder's equity. This combined historical financial information may not be indicative of the Business' future performance and do not necessarily reflect what the financial position, results of operations and cash flows would have been had it operated as an independent company during the periods presented.

All intracompany transactions have been eliminated. All transactions between the Business and Eastman have been included in this combined historical financial information. For those transactions between the Business and Eastman that are historically settled in cash, the Business has reflected such balances in the Combined Statements of Financial Position as due from related parties or due to related parties until they are settled. The aggregate net effect of such transactions that are not historically settled in cash has been reflected in the Combined Statements of Financial Position as invested capital and in the Combined Statements of Cash Flows as a financing activity.

This combined historical financial information includes certain allocated expenses for corporate functions provided by Eastman to the Business, including but not limited to executive management, finance, legal, information systems, human resources and distribution, as well as research and development expenses that are required to support the Business as set out in note 21. Allocations were made primarily based on a percentage of revenues, salaries or headcount. Some corporate services such as information technology are charged to the Business based on usage. The Business believes the basis on which the expenses have been allocated is a reasonable reflection of the utilisation of services provided to, or the benefit received by, the Business during the periods presented. However, these allocations and estimates are not necessarily indicative of the costs and expenses that would have resulted if the Business had been operating as an independent company. Actual costs that may have been incurred if the Business had been an independent company would depend on several factors, including the organisational structure, whether functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

Going concern

The combined historical financial information has been prepared on a going concern basis and under the historical cost convention.

Goodwill

Goodwill is measured as the excess of the consideration transferred over the Business' interest in acquisition-date identifiable assets acquired less liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the cash generating unit expected to benefit from the synergies of the combination. Cash generating unit to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Joint ventures

Joint ventures are accounted for using the equity method of accounting. Under the equity method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Business' share of the post-acquisition profits or losses and movements in other comprehensive income.

Revenue

General

The Business manufactures and sells adhesive resins and dispersions across a wide range of of end use applications. Its products are mainly sold in liquid form, in bulk containers.

Revenue is measured based on the consideration to which the Business expects to be entitled in a contract with a customer when performance obligations are satisfied. Revenue is recognised at the point in time when control of the product is transferred from the Business to the customer.

The Business sells to customers through master sales agreements or standalone purchase orders. The majority of the Business' terms of sale have a single performance obligation to transfer products. Accordingly, the Business recognises revenue when control has been transferred to the customer.

The timing of billings does not always match the timing of revenue recognition. When the Business is entitled to bill a customer in advance of the recognition of revenue, a contract liability is recognised.

When the Business is not entitled to bill a customer until a period after the related recognition of revenue, a contract asset is recognised. Contract assets represent the Business' right to consideration for the exchange of goods under a contract, but which are not yet billable to a customer for consignment inventory or pursuant to certain shipping terms.

Contract liabilities were not material as of 31 December 2020, 2019 or 2018. Contract assets were US$7.8 million, US$7.7 million and US$9.7 million as of 31 December 2020, 2019 and 2018, respectively, and are included as a component of "Trade and other receivables" in the Combined Balance Sheets.

Rebates and volume discounts

The business may grant customers rebates if the goods purchased by the customer exceed a contractually defined threshold within the specified period. Rebates are usually deducted from the amounts payable by the customer. Depending on the terms of the underlying contract, the Business uses either the expected value or the most likely amount to estimate the variable consideration for expected future rebates. Historical, current and forecast information is considered when calculating rebates.

The majority of rebate programmes are aligned with the Business' financial year end, providing certainty around how much should be recognised in the financial statements.

Variable consideration for volume incentive discounts is estimated and included in the transaction price at the time of sale.

Other

The Business does not have any contracts where the period between the transfer of promised goods to the customer and payment by the customer exceeds one year.

Foreign currencies

In preparing the financial statements of the Business, transactions in currencies other than the Business' functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under 'hedge accounting'); and
- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

On combination, the assets and liabilities of the Business' non-US$ operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Business elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as U.S. dollar-denominated assets and liabilities.

Operating profit

Operating profit represents profit from continuing activities before financing costs and taxation.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Business' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Business is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Business expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

The Business assesses whether a contract is or contains a lease, at inception of the contract. The lease term is determined from the commencement date of the contract and covers the non-cancellable term. If considered reasonably certain, extension or termination options are included in the lease term.

At the commencement date, a lease liability is recognised, measured at the present value of the future lease payments and discounted using the Business' incremental borrowing rate. Subsequently, the lease liability is adjusted by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

At the commencement date, a right of use asset is recognised, measured at an amount equal to the lease liability plus any lease payments made before the commencement date and any initial direct costs, less any lease incentive payments. An estimate of costs to be incurred in restoring an asset, in accordance with the terms of the lease, is also included in the right of use asset at initial recognition. Subsequently, right of use assets are measured in accordance with the accounting policy for property, plant and equipment and are depreciated over the shorter period of lease term and the useful life of the underlying asset. Any adjustments to the corresponding lease liability are reflected in the corresponding right of use asset.

Short-term leases and low value leases are not recognised as lease liabilities and right of use assets, but are recognised as an expense straight-line over the lease term.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss. Cost comprises original purchase price and the costs attributable to bringing the asset to its working condition for its intended use, including, where appropriate, capitalised finance costs.

Freehold land is not depreciated.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	between 20 and 50 years
Plant and equipment	between 3 and 30 years
Computer software	between 3 and 5 years
Office furniture and fixtures and computer equipment	between 5 and 10 years
Vehicles, railcars and general machinery and equipment	between 5 and 20 years
Manufacturing-related improvements	between 20 and 33 years

Assets in the course of construction are carried at cost, less any recognised impairment loss. Finance costs directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of those assets. Depreciation of these assets commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Impairment of property, plant and equipment and intangible assets excluding goodwill

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

At each balance sheet date, the Business reviews the carrying amounts of its plant, property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Business estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Financial assets and financial liabilities are recognised when the Business becomes a party to the contractual provisions of the instrument.

The business classifies its financial instruments (primarily cash flow hedges) in the following categories:

- financial assets and liabilities at amortised cost ("**AC**") includes trade and other receivables and trade and other payables; and
- financial assets and liabilities at fair value through profit and loss ("**FVTPL**"); and
- financial assets and liabilities at fair value through other comprehensive income ("**FVTOCI**") included cash flow hedges.

Financial assets and liabilities are initially measured at fair value including, where permitted, any directly attributable transaction costs.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

Financial assets and liabilities measured at amortised cost

Financial assets measured at amortised cost include cash and cash equivalents and trade and other receivables. Cash and cash equivalents comprise cash held in bank accounts with no access restrictions and bank term deposits repayable on demand or maturing within three months of inception.

At each reporting date the Business recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. In establishing the appropriate amount of loss allowance to be recognised, the Business applies the general approach or the simplified approach, depending on the nature of the underlying class of financial assets:

- The simplified approach is applied to the impairment assessment of trade and other receivables. Under this approach, the Business recognises expected lifetime losses upon initial recognition.

Financial liabilities measured at amortised cost include trade and other payables, lease liabilities and borrowings. Borrowings are measured at amortised cost unless they form part of a fair value hedge relationship. The difference between the initial carrying amount of borrowings and the redemption value is recognised in the income statement over the contractual terms using the effective interest rate method.

Financial assets and liabilities held at fair value

Financial assets and liabilities are measured at fair value through profit or loss when they do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income.

Financial assets and liabilities at FVTPL are measured at fair value at the end of each reporting period with fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see below).

Derivative financial instruments

The Business enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts, and foreign currency options. Further details of derivative financial instruments are set out in note 15.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Hedge accounting

To mitigate foreign currency and commodity price risk, the Business designates certain derivatives as hedging instruments in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate.

At the inception of the hedge relationship, if hedge accounting is applied to a hedging instrument, the Business documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Business documents whether the hedging instrument is effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income, limited to the cumulative change in fair value of the hedged item from inception of the hedge.

Gains or losses relating to an ineffective portion are recognised immediately in the income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified in the income statement in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Business revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated at that time in equity is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is recognised immediately in profit or loss.

The Business recognises gains and losses related to foreign currency derivatives instruments in line item "Revenue" of the Combined income statement at spot rate.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes and multi-employer defined benefit schemes are treated as payments to defined contribution schemes where the Business' obligations under the schemes are equivalent to those arising in a defined contribution scheme.

Provisions

Provisions are recognised when the Business has a present obligation (legal or constructive) as a result of a past event, it is probable that the Business will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Provisions for restructuring costs are recognised when the Business has a detailed formal plan for the restructuring that has been communicated to affected parties.

Alternative Performance Measures

The Business has consistently used two significant Alternative Performance Measures ("**APMs**") since its adoption of IFRS in 2018:

- Underlying performance, which excludes Special Items from IFRS profit measures.
- EBITDA, which excludes Special Items, amortisation and depreciation from IFRS operating profit.

Further information and the reconciliation to the IFRS measures are included in note 4.

Cash and Cash Equivalents

Eastman uses a centralised approach for managing cash and financing operations with its subsidiaries. Accordingly, a substantial portion of the Business' cash balances are transferred to Eastman's cash management accounts regularly by Eastman at its discretion and therefore are not included in the combined financial statements. Remaining cash that is not transferred to Eastman's cash management accounts is held in accounts that are not specifically identifiable to the Business. As such, cash and cash equivalents have not been reflected in the Business' Financial Position. Transfers of cash between the Business and Eastman are included within "invested capital" in the Combined Statement of Cash Flows and the Combined Statement of Invested Capital.

Accounts Receivable and Allowance for Credit Losses

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Business maintains allowances for estimated credit losses, as described above under Financial Instruments. Allowances for credit losses were US$0.4 million, US$0.3 million and US$0.3 million as of 31 December 2020, 2019 and 2018, respectively. The Business does not enter into receivables of a long-term nature, also known as financing receivables, in the normal course of business.

Working Capital Management and Off Balance Sheet Arrangements

The Business has off balance sheet, uncommitted accounts receivable factoring agreements under which entire invoices may be sold, without recourse, to third-party financial institutions or a subsidiary of Eastman. Under these agreements, the Business sells the invoices at face value, less a transaction fee, which substantially equals the fair value with no gain or loss recognised and no credit loss exposure is retained. In addition, certain agreements also require that the Business continue to service, administer and collect the sold accounts receivable at market rates. The total amount of receivables sold during the years ended 31 December 2020, 2019 and 2018 were US$235.7 million, US$438.4 million and US$396.6 million, respectively. Based on the original terms of receivables sold for certain agreements and actual outstanding balance of receivables under service agreements, the Business estimates that US$1.8 million, US$56.9 million and US$61.8 million of these receivables would have been outstanding as of 31 December 2020, 2019 and 2018, respectively, had they not been sold under these factoring agreements. Total net fees associated with accounts receivable factoring agreements were US$0.5 million, US$0.9 million and US$0.9 million for the years ended 31 December 2020, 2019 and 2018, respectively, of which US$0.3 million, US$0.7 million and US$0.8 million for the years ended 31 December 2020, 2019 and 2018, respectively were related to accounts receivable factoring agreements with a subsidiary of Eastman.

De-recognition of factored accounts receivable

In determining whether to de-recognise accounts receivable that have been factored, the Business considers a) whether the assets being factored have similar characteristics, b) whether the rights to the assets' associated cash flows has expired, and c) whether there was a transfer of the rights to those cash flows to the factoring agent.

Critical accounting judgements and estimates

In the application of the Business' accounting policies, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The assumptions for each estimate are set out in the relevant note referenced below.

- Valuation of goodwill and intangible assets on acquisition:

  In a business combination, intangible assets are identified and recognised at fair value. The assumptions involved in valuing these intangible assets require the use of estimates that may differ from the actual outcome. These estimates cover future growth rates, expected inflation rates and the discount rate used. Changing the assumptions selected by management could significantly affect the allocation of the purchase price paid between goodwill and other acquired intangibles.

- Current tax liability and deferred tax (notes 9 and 10):

  The Business annually incurs significant amounts of income taxes payable to various jurisdictions around the world and it also recognises significant changes in deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions.

Critical judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (which are discussed above), that management has made in the process of applying the Business' accounting policies.

3 Adoption of new and revised standards

The following amendments to the accounting standards, issued by the IASB which have been endorsed by the EU, have been adopted by the Business from 1 January 2020 with no impact on the Business' combined results, financial position or disclosures:

Amendments to IFRS 9, IAS 39 and IFRS 7—Interest Rate Benchmark Reform (Phase 1). These amendments provide temporary relief from specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. This and a number of other amendments and clarifications to IFRS, effective in future years, are not expected to significantly impact the Business' combined results or financial position.

4 Special Items

IFRS and Underlying performance

The IFRS profit measures show the performance of the Business as a whole and as such include all sources of income and expense, including both one-off items and those that do not relate to the Business' ongoing businesses. To provide additional clarity on the ongoing trading performance of the Business' businesses, management uses 'Underlying' performance as an alternative performance measure to plan for, control and assess the performance of the segments. Underlying performance differs from the IFRS measures as it excludes Special Items.

Special Items

Special Items are disclosed separately in order to provide a clearer indication of the Business' underlying performance.

Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Business' financial statements are in compliance with IFRS but do not reflect the operating performance in the year, or both. An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Business incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Business considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance.

The following are consistently disclosed separately as Special Items in order to provide a clearer indication of the Business' underlying performance:

a. Restructuring and site closure costs;
b. Sale of a business or significant asset;
c. Acquisition costs;
d. Amortisation of acquired intangible assets;
e. Impairment of non-current assets;
f. Fair value adjustments in respect of derivative financial instruments where hedge accounting is not applied;
g. Items of income and expense that are considered material, either by their size and/or nature;
h. Tax impact of above items; and
i. Settlement of prior period tax issues.

Special Items comprise:

(US$ millions)	2020	2019	2018
Restructuring and site closure costs	(2.1)	(2.0)	(0.1)

The Business records severance charges for employee separations when the separation is probable and reasonably estimable. In the event employees are required to perform future service, the Business records severance charges ratably over the remaining service period of those employees. Payments made in connection with severance charges were US$0.4 million, US$1.6 million and US$0.7 million for years ended 31 December 2020, 2019 and 2018, respectively.

5 Segmental analysis

The Business operates in one segment: the Additives & Functional Products segment.

There is one customer whose sales were more than 10% of the Business' revenue, at 13.5%, 11.8% and 11.9% in 2020, 2019 and 2018, respectively.

Geographical information

The Business' revenue from external customers and its non-current assets (excluding deferred tax) by geographical location are detailed below:

	Revenue by destination			Non-current assets		
(US$ millions)	2020	2019	2018	2020	2019	2018
United States and Canada	272.8	264.2	298.9	220.7	222.0	206.0
Asia Pacific	66.5	70.9	74.0	26.6	22.0	21.7
Europe, Middle East and Africa	198.6	211.9	266.6	177.1	151.0	141.5
Latin America	28.5	31.4	35.6	3.4	3.2	3.1
Total	566.4	578.4	675.1	427.8	398.2	372.3

6 Operating profit

(US$ millions)	2020	2019	2018
Revenue	566.4	578.4	675.1
Cost of sales (excluding depreciation)	(450.9)	(439.5)	(489.6)
Gross profit	115.5	138.9	185.5
Sales and marketing costs	(12.4)	(14.3)	(15.4)
Administrative expenses	(47.6)	(53.5)	(52.0)
Share of joint ventures	2.4	0.6	2.1
EBITDA	57.9	71.7	120.2
Depreciation and amortisation	(22.4)	(21.1)	(20.5)
Operating profit—Underlying performance	35.5	50.6	99.7
Special Items	(2.1)	(2.0)	(0.1)
Operating profit—IFRS	33.4	48.6	99.6

(US$ millions)	2020	2019	2018
Operating profit is stated after charging the following:			
Depreciation of property, plant and equipment	20.9	19.7	19.1
Depreciation of right of use assets	1.5	1.4	1.4
Research and development expenditure	18.0	21.9	18.1

Audit fees were paid by Eastman and not allocated to this combined historical financial information.

7 Staff costs

(US$ millions)	2020	2019	2018
The average monthly number of employees during the year by segment was:	594	607	618

(US$ millions)	2020	2019	2018
The aggregate remuneration of all employees comprised:			
Wages and salaries	53.7	53.2	53.0
Social security costs	10.0	10.2	10.5
Pension costs	6.3	5.4	5.3
Total staff costs	70.0	68.8	68.8

There are no directors forming part of this combined historical financial information and it is not possible to apportion the amount of allocated corporate expenses relating to director remuneration, therefore no amounts for director emolument have been disclosed.

8 Finance costs

(US$ millions)	2020	2019	2018
Interest payable on inter-company loans	—	0.1	0.2
Interest element of lease payments	0.2	0.2	0.2
Total finance costs	0.2	0.3	0.4

9 Taxation

(US$ millions)	2020	2019	2018
Current Tax			
Corporation tax	5.7	9.1	16.4
Deferred tax			
Origination and reversal of temporary differences	0.6	(1.2)	(1.8)
	6.3	7.9	14.6
Special Items			
Restructuring and site closure costs	(0.5)	(0.4)	—
Total tax on profit before taxation	5.8	7.5	14.6

US corporation tax is calculated at 22.4% (2019: 22.0% 2018: 21.7%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of tax expense to profit before taxation

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of U.S. corporation tax to the profit before tax is as follows.

(US$ millions)	2020	2019	2018
Profit before taxation	33.2	48.3	99.2
Tax on profit before taxation at applicable U.S. corporation tax rate 22.4% in 2020. 22.0% in 2019 and 21.7% in 2018	7.4	10.6	21.5
Effects of:			
Expenses not deductible for tax purposes	0.7	0.8	1.4
Tax incentives and items not subject to tax	(2.9)	(3.3)	(4.0)
Higher tax rates on overseas earnings	(1.8)	(2.0)	(1.0)
Other deferred tax asset not recognised less amounts now recognised	1.3	0.9	(1.5)
Effect of change of rate on deferred tax	1.1	0.5	(1.8)
Tax charge for year	5.8	7.5	14.6

Current tax liabilities

(US$ millions)	2020	2019	2018
Current tax liabilities	(0.5)	(0.8)	(1.0)

10 Deferred taxation

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities are shown below.

Deferred tax liabilities

2020

(US$ millions)	Accelerated tax depreciation	Acquired goodwill	Other	Total
At 1 January	(30.0)	(3.7)	(1.3)	(35.0)
Credited/(charged) to income statement	(1.9)	(0.6)	0.2	(2.3)
At 31 December	(31.9)	(4.3)	(1.1)	(37.3)

Deferred tax assets

2020

(US$ millions)	Post employment obligations	Leases	Other	Total
At 1 January	0.3	1.2	1.5	3.0
Credited/(charged) to income statement	0.7	(0.1)	1.1	1.7
Credited/(charged) to other comprehensive income	—	—	(0.7)	(0.7)
At 31 December	1.0	1.1	1.9	4.0

Deferred tax liabilities

2019

(US$ millions)	Accelerated tax depreciation	Acquired goodwill	Other	Total
At 1 January	(29.1)	(3.5)	(1.9)	(34.5)
Credited/(charged) to income statement	(0.9)	(0.2)	0.6	(0.5)
At 31 December	(30.0)	(3.7)	(1.3)	(35.0)

Deferred tax assets

2019

(US$ millions)	Post employment obligations	Leases	Other	Total
At 1 January	—	—	0.9	0.9
Credited/(charged) to income statement	0.3	1.2	0.2	1.7
Credited/(charged) to other comprehensive income	—	—	0.4	0.4
At 31 December	0.3	1.2	1.5	3.0

Deferred tax liabilities

2018

(US$ millions)	Accelerated tax depreciation	Acquired goodwill	Other	Total
At 1 January	(29.0)	(4.3)	(0.7)	(34.0)
Credited/(charged) to income statement	(0.1)	0.8	(1.2)	(0.5)
Exchange adjustment	—	—	—	—
At 31 December	(29.1)	(3.5)	(1.9)	(34.5)

Deferred tax assets

2018

(US$ millions)	Post employment obligations	Leases	Other	Total
At 1 January	0.1	—	0.7	0.8
Credited/(charged) to income statement	(0.1)	—	2.4	2.3
Credited/(charged) to other comprehensive income	—	—	(2.2)	(2.2)
At 31 December	—	—	0.9	0.9

Deferred tax assets not recognised

The amounts of deferred tax not recognised at the balance sheet dates are as follows:

(US$ millions)	2020	2019	2018
Tax Losses	0.5	0.4	0.2
	0.5	0.4	0.2

Of the unrecognised tax losses set out above, these balances can be carried forward indefinitely.

11 Goodwill

Changes in the carrying amount of goodwill follow:

(US$ millions)	2020	2019	2018
Cost			
At 1 January	75.5	75.9	76.7
Exchange adjustments	1.6	(0.4)	(0.8)
At 31 December	**77.1**	**75.5**	**75.9**

The Business tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

The recoverable amounts for cash generating units ("**CGUs**") are determined from value in use calculations. The key assumptions for the value in use calculations are the discount rate, profitability and growth rate. These assumptions have been revised in the year in light of the current economic environment.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Business. The discount rate is based on Eastman's weighted average cost of capital adjusted, where appropriate, for the risk premium attributable to a particular CGU's activities and geography of operation.

The Business prepares cash flow forecasts derived from the most recent business plans approved by management using growth rates that do not exceed average long-term growth rates for relevant markets.

The Business believes that there is no reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

12 Property, plant and equipment

The following tables reflect movements in property, plant and equipment for the years ended 2020, 2019 and 2018:

(US$ millions)	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Assets under construction	Total
Cost					
At 1 January 2020	14.9	37.3	540.7	43.8	636.7
Exchange adjustments	1.1	1.4	16.7	0.8	20.0
Additions	—	—	4.6	30.3	34.9
Disposals	—	(0.3)	(1.7)	—	(2.0)
Transfer from assets under construction	—	9.3	33.4	(42.7)	—
At 31 December 2020	16.0	47.7	593.7	32.2	689.6
Accumulated depreciation					
At 1 January 2020	—	(18.1)	(323.9)	—	(342.0)
Exchange adjustments	—	(0.5)	(9.8)	—	(10.3)
Depreciation charge for the year	—	(1.0)	(21.4)	—	(22.4)
Disposals	—	0.3	1.5	—	1.8
At 31 December 2020	—	(19.3)	(353.6)	—	(372.9)
Net book value At 31 December 2020	16.0	28.4	240.1	32.2	316.7

(US$ millions)	Owned Assets				
	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Assets under construction	Total
Cost					
At 1 January 2019	15.1	37.0	533.5	12.2	597.8
Exchange adjustments	(0.2)	(0.3)	(3.4)	3.5	(0.4)
Additions	—	—	—	46.4	46.4
Disposals	—	(0.6)	(6.5)	—	(7.1)
Transfer from assets under construction	—	1.2	17.1	(18.3)	—
At 31 December 2019	14.9	37.3	540.7	43.8	636.7
Accumulated depreciation					
At 1 January 2019	—	(17.5)	(311.2)	—	(328.7)
Exchange adjustments	—	0.1	1.9	—	2.0
Depreciation charge for the year	—	(1.0)	(20.1)	—	(21.1)
Assets written down	—	0.3	5.5	—	5.8
At 31 December 2019	—	(18.1)	(323.9)	—	(342.0)
Net book value At 31 December 2019	14.9	19.2	216.8	43.8	294.7

(US$ millions)	Owned Assets				
	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Assets under construction	Total
Cost					
At 1 January 2018	15.7	36.6	517.1	17.6	587.0
Recognised on adoption of IFRS 16	—	—	—	—	—
Exchange adjustments	(0.6)	(0.9)	(9.1)	(0.2)	(10.8)
Additions	—	0.3	0.6	22.7	23.6
Disposals	—	(0.1)	(1.9)	—	(2.0)
Transfer from assets under construction	—	1.1	26.8	(27.9)	—
At 31 December 2018	15.1	37.0	533.5	12.2	597.8
Accumulated depreciation					—
At 1 January 2018	—	(16.8)	(297.2)	—	(314.0)
Exchange adjustments	—	0.2	4.3	—	4.5
Depreciation charge for the year	—	(1.0)	(19.5)	—	(20.5)
Disposals	—	0.1	1.2	—	1.3
At 31 December 2018	—	(17.5)	(311.2)	—	(328.7)
Net book value At 31 December 2018	15.1	19.5	222.3	12.2	269.1

Depreciation expense was US$22.4 million, US$21.1 million and US$20.5 million for 2020, 2019 and 2018, respectively.

At 31 December 2020 the business had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$2.0 million (2019: US$2.0 million).

13 Investment in joint ventures

The Business owns a 50 percent interest in Nanjing Yangzi Eastman Chemical Ltd., a joint venture that has a manufacturing facility in Nanjing, China. The Nanjing facility produces Eastotac™ hydrocarbon tackifying resins for pressure-sensitive adhesives, caulks and sealants. At 31 December 2020, 2019 and 2018, the Business' investment in this joint venture was US$26.5 million, US$21.9 million, and US$21.6 million respectively. This joint venture is accounted for using the equity method in these financial statements.

Summarised financial information in respect of the joint venture is set out below.

Summarised balance sheet (100%)

(US$ millions)	2020	2019	2018
Non-current assets	12.1	9.6	10.7
Cash and cash equivalents	20.6	10.9	7.0
Other current assets	30.7	25.9	27.8
Total current assets	51.3	36.8	34.8
Other current liabilities	(10.4)	(2.6)	(2.3)
Total current liabilities	(10.4)	(2.6)	(2.3)
Net assets	53.0	43.8	43.2
Business' share of net assets	26.5	21.9	21.6

Summarised statement of comprehensive income (100%)

(US$ millions)	2020	2019	2018
Revenue	52.0	52.4	65.5
Operating profit	6.4	1.5	4.8
Interest	—	0.1	0.8
Taxation	(1.6)	(0.4)	(1.4)
Profit for the year	4.8	1.2	4.2
Total comprehensive income	4.8	1.2	4.2
Dividends paid	—	—	(15.0)
Movement in retained earnings	4.8	1.2	(10.8)
Business' share:			
Profit for the year	2.4	0.6	2.1
Dividends paid	—	—	(7.5)

The following table reconciles the summary information above to the carrying amount of the Group's interest in the joint ventures:

Investment in joint ventures

(US$ millions)	2020	2019	2018
At 1 January	21.9	21.6	28.1
Profit from continuing operations	2.4	0.6	2.1
Exchange differences on translation	2.2	(0.3)	(1.1)
Dividend paid	—	—	(7.5)
At 31 December	26.5	21.9	21.6

14 Inventories

(US$ millions)	2020	2019	2018
Finished goods	76.7	118.7	121.9
Raw materials and supplies	47.4	46.5	36.1
Total direct inventories at FIFO and average cost	124.1	165.2	158.0
Consumables	8.2	8.0	7.4
Total inventories	132.3	173.2	165.4

Cost of inventory recognised as an expense and included in cost of sales amounted to $427.9m, $418.7m and $473.8m for 2020, 2019 and 2018 respectively.

15 Financial instruments

The below sets out the Business' accounting classification of each class of financial assets and liabilities:

31 December, 2020 (US$ millions)	Carrying amount	Carrying amount within scope of IFRS 7	Valuation category in accordance with IFRS 9	Fair value	Fair value hierarchy level
Trade receivables	96.6	96.6	AC	96.6	Level 2
Total assets	96.6	96.6		96.6	
Trade and other payables	(53.4)	(53.4)	AC	(53.4)	Level 2
Derivatives- cash flow accounting	(2.9)	(2.9)	FVOCI	(2.9)	Level 2
Total liabilities	(56.3)	(56.3)		(56.3)	

31 December, 2019 (US$ millions)	Carrying amount	Carrying amount within scope of IFRS 7	Valuation category in accordance with IFRS 9	Fair value	Fair value hierarchy level
Trade receivables	41.2	41.2	AC	41.2	Level 2
Cash and cash equivalents	—	—	AC	—	Level 2
Derivatives- cash flow accounting	1.3	1.3	FVTPL	1.3	Level 2
Total assets	42.5	42.5		42.5	
Borrowings			AC		Level 2
Trade and other payables	(60.6)	(60.6)	AC	(60.6)	Level 2
Derivatives- cash flow accounting	(1.0)	(1.0)	FVOCI	(1.0)	Level 2
Total liabilities	(61.6)	(61.6)		(61.6)	

31 December, 2018 (US$ millions)	Carrying amount	Carrying amount within scope of IFRS 7	Valuation category in accordance with IFRS 9	Fair value	Fair value hierarchy level
Trade receivables	51.5	51.5	AC	51.5	Level 2
Cash and cash equivalents	—	—	AC	—	Level 2
Derivatives- cash flow accounting	4.5	4.5	FVTPL	4.5	Level 2
Total assets	56.0	56.0		56.0	
Borrowings			AC		Level 2
Trade and other payables	(65.6)	(65.6)	AC	(65.6)	Level 2
Derivatives- cash flow accounting	(0.7)	(0.7)	FVOCI	(0.7)	Level 2
Total liabilities	(66.3)	(66.3)		(66.3)	

Note:

1. AC: amortised cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss; a more detailed description of the categories can be found in note

The carrying value of the non-current receivable/payable appropriate their fair value because of their short term nature.

Financial risk management

The Business is exposed to market risks, such as changes in foreign currency exchange rates and commodity prices. To mitigate these market risks and their effects on the cash flows of the underlying transactions, the Business uses various derivative and non-derivative financial instruments, when appropriate, in accordance with the Business' hedging strategy and policies. Designation is performed on a specific exposure basis to support hedge accounting. The Business does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Currency risk

The Business presents its combined financial statements in U.S. Dollar and conducts business in many currencies. As a result, it is subject to foreign currency risk due to exchange rate movements, which will affect the Business' transactions and the translation of the results and underlying net assets of its operations.

The Business uses currency option and forward cash flow hedges to hedge probable anticipated, but not yet committed, export sales and purchase transactions expected within a rolling three year period and denominated in foreign currencies (principally the euro). Additionally, the Business, from time to time, enters into forward exchange contract cash flow hedges to hedge certain firm commitments denominated in foreign currencies.

Commodity Risk

The Business uses certain raw material and energy sources which are subject to price volatility caused by weather, supply and demand conditions, economic variables and other unpredictable factors. This volatility is primarily related to the market pricing of propane, ethane, natural gas, paraxylene, ethylene, and benzene. In order to mitigate expected fluctuations in market prices, from time to time, the Business enters into option and forward contracts and designates these contracts as cash flow hedges. The Business currently hedges commodity price risks using derivative financial instrument transactions within a rolling three year period.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Business. Credit risk arises on cash balances, derivative financial instruments and credit exposures to customers.

The carrying amount of financial assets represents the Business' exposure to credit risk at the balance sheet date as disclosed at the start of this note. A financial asset is in default when the counterparty fails to pay its contractual obligations. Financial assets are written-off when there is no reasonable expectation of recovery. Credit risk is managed separately for financial and business-related credit exposures.

Financial credit risk

The Business aims to minimise its financial credit risk through the application of risk management policies. Counterparties are predominantly limited to major banks and financial institutions with a credit rating of investment grade and the policy restricts the exposure to any one counterparty by setting credit limits. The Business' policy is designed to ensure that individual counterparty limits are adhered to and that there are no significant concentrations of credit risk. The Business annually reviews the credit limits applied and regularly monitors the counterparties' credit quality, reflecting market credit conditions.

Business related credit risk

Trade and other receivables exposures are managed locally in the operating units where they arise and active risk management is applied, focusing on country risk, credit limits, ongoing credit evaluation and monitoring procedures.

Liquidity risk

Liquidity risk is the risk that the Business is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds at an acceptable price to fund actual or proposed commitments. The Business manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

(US$ millions)	2020 Amount due within 1 year	2020 Amount due between 2 and 5 years	2020 Amount due after 5 years	2019 Amount due within 1 year	2019 Amount due between 2 and 5 years	2019 Amount due after 5 years	2018 Amount due within 1 year	2018 Amount due between 2 and 5 years	2018 Amount due after 5 years
Trade and other payables	(53.4)	—	—	(60.6)	—	—	(65.6)	—	—
Lease liabilities	(1.7)	(3.6)	(0.3)	(1.7)	(4.5)	(0.6)	(1.9)	(5.4)	(0.8)
Provisions for other liabilities and charges	(2.4)	—	(0.4)	(0.7)	—	(0.7)	(0.2)	—	(0.9)
Total financial liabilities	(57.5)	(3.6)	(0.7)	(63.0)	(4.5)	(1.3)	(67.7)	(5.4)	(1.7)

Fair value measurement

Certain of the Business' financial instruments are held at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date.

As prescribed by IFRS 13 Fair Value Measurement, fair values are measured using a hierarchy where the inputs are as follows:

a. Level 1—quoted prices in active markets for identical assets or liabilities.

b. Level 2—not level 1 but are observable for that asset or liability either directly or indirectly.

c. Level 3—not based on observable market data.

The Business' commodity and foreign exchange contracts are valued using discounted cash flow techniques. These techniques incorporate inputs such as foreign exchange rates, which are used in a discounted cash flow calculation incorporating the instrument's term, notional amount and discount rate, and taking credit risk into account. As significant inputs to the valuation are observable in active markets, all of the Business' financial instruments are classified as level 2 financial instruments.

The fair value of forward foreign exchange contracts and currency swaps is estimated by discounting the future contractual cash flows using forward exchange rates and prices at the balance sheet date.

The fair value of commodity contracts is derived using forward curves supplied by an industry recognised and unrelated third party.

There were no transfers of any financial instrument between the levels of the fair value hierarchy during the current or prior years.

The following table presents the fair value measurements of hedging instruments on a gross basis:

(US$ millions)	31 December 2020	31 December 2019	31 December 2018
Derivative Type			
Derivatives designated as cash flow hedges:			
Current assets			
Foreign exchange contracts	—	1.3	4.5
Total derivative assets	—	1.3	4.5
Current liabilities			
Commodity contracts	—	(1.0)	—
Foreign exchange contracts	(2.9)	—	(0.7)
Total derivative liabilities	(2.9)	(1.0)	(0.7)
Total net derivative assets (liabilities)	(2.9)	0.3	3.8

Hedge relationships

The Business targets a one-to-one hedge ratio. Strengths of the economic relationship between the hedged item and the hedging instrument is analysed on an ongoing basis. Ineffectiveness can arise from subsequent change in the forecast transactions as a result of timing, cash flows or value except when the critical terms of the hedging instrument and hedged item are closely aligned. The change in the credit risk of the hedging instruments or the hedged items is not expected to be the primary factor in the economic relationship.

The notional amounts, contractual maturities and rates of the hedging instruments designated in hedging relationships as of 31 December 2020 and 2019 by the main risk categories are as follows:

	Hedge Risk	Notional Amount	Maturity
2020			
Cash flow Hedges			
Foreign exchange forward and option contracts EUR/USD (in EUR'm)	Currency	€47	2021-2024
Commodity Forward and Collar contracts Energy (in million British thermal units)	Energy	1	2021-2024
2019			
Cash flow hedges			
Foreign exchange forward and option contracts EUR/USD (in EUR'm)	Currency	€50	2020-2023
Commodity Forward and Collar contracts Energy (in million British thermal units)	Energy	1	2020-2023
2018			
Cash flow hedges			
Foreign exchange forward and option contracts EUR/USD (in EUR'm)	Currency	€60	2019-2022
Commodity Forward and Collar contracts Energy (in million British thermal units)	Energy	2	2019-2022

Where hedge accounting is applied, hedges are documented and tested for effectiveness on an ongoing basis.

Commodity contracts are primarily used to offset variability in future prices of natural gas used in the Business' manufacturing process. Foreign exchange forwards are primarily used to hedge probable anticipated, but not yet committed, export sales and purchase transactions expected within a rolling three year period and denominated in foreign currencies (principally the euro). The change in fair value of the hedge instrument is recognised in Invested Capital located in the Consolidated Balance Sheets and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

The ratio for hedging instruments designated in cash flow hedge relationships was 1:1. Ineffectiveness could occur on either hedging relationship due to significant changes in counterparty credit risk or a reduction in the notional amount of the hedged item during the designated hedging period.

16 Trade and other payables

(US$ millions)	2020	2019	2018
Trade creditors	(46.0)	(54.8)	(49.4)
Accrued payrolls, vacation and variable-incentive compensation	(5.9)	(4.1)	(4.9)
Related party payable	—	—	(6.9)
Other	(1.5)	(1.7)	(4.4)
Total payables and other current liabilities	(53.4)	(60.6)	(65.6)

Average trade payable days in 2020 was 43.2 (2019: 50.3, 2018: 48.9). This figure represents trade payable days for all trading operations calculated as a weighted average based on cost of sales.

The company considers that the carrying amount of trade payables, other payables and accruals approximates to their fair value.

17 Leases and other commitments

Leases have associated right-to-use assets and lease liabilities that are valued at the present value of the lease payments and recognised on the Statements of Financial Position. The discount rate used in the measurement of a right-to-use asset and lease liability is the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, the Business' incremental borrowing rate is used. The Business elected the accounting policy not to apply the recognition and measurement requirements to short-term leases with a term of 12 months or less that do not include a bargain purchase option.

The Business has leases, as a lessee, with customary terms that do not include: significant variable lease payments; significant reasonably certain extensions or options required to be included in the lease term; restrictions; or other covenants for real property, rolling stock and machinery and equipment. Real property leases primarily consist of office space and rolling stock leases primarily for railcars and fleet vehicles. As of 31 December 2020, 2019, and 2018, operating right-to-use assets of US$4.6 million, US$5.5 million, and US$6.6 million, respectively, are included as a part of "Property, plant and equipment" in the Combined Statements of Financial Position.

The total cash outflow for leases in the year was:

(US$ millions)	2020	2019	2018
Payment for the principal portion of lease liabilities	1.5	1.4	1.4
Payment for the interest portion of lease liabilities	0.2	0.2	0.2

The following table details the maturity of contractual undiscounted cash flows for lease liabilities:

(US$ millions)	2020	2019	2018
Less than one year	1.7	1.7	1.9
Two to five years	3.6	4.5	5.4
Beyond five years	0.3	0.6	0.8
Total	**5.6**	**6.8**	**8.1**

The Business has leases, primarily leases for railcars, which require the Business to guarantee a portion of the residual value of the leased assets upon termination of the leases that will expire beginning in 2021. Residual guarantee payments that become probable and estimable are recognised as rent expense over the remaining life of the applicable lease. Management's current expectation is that the likelihood of material residual guarantee payments is remote.

18 Retirement plans

Defined Contribution Plans

Certain of the Business' employees participate in defined contribution plans sponsored by Eastman. The Business recognises an expense reflecting the contributions due to employees directly involved with the Business from their participation in Eastman's defined contribution plans. Charges for the Business' participation in Eastman's defined contribution plans were US$0.6 million, US$0.5 million and US$0.4 million for the years ended 31 December 2020, 2019 and 2018, respectively.

Defined Benefit Pension Plans and Other Postretirement Benefit Plans

Certain of the Business' employees participate in defined benefit pension and other postretirement benefit plans sponsored by Eastman. For purposes of the combined financial statements, the Business accounts for its participation in these shared plans in accordance with the guidance on multi-employer benefit plans. Because of the nature of multi-employer pension plans, there are risks associated with participating in such plans that differ from single-employer pension plans. As a participant in these multi-employer benefit plans, the Business recognises an expense reflecting the service cost for employees directly involved with the Business. The Business does not recognise any employee benefit plan assets or liabilities for these shared plans in the accompanying Combined Statement of Financial Position. Total service costs recognised for the Business' participation in these shared plans were US$5.7 million, US$4.9 million and US$4.9 million for the years ended 31 December 2020, 2019 and 2018, respectively.

19 Reconciliation of operating profit to cash generated from operations

(US$ millions)	2020	2019	2018
Operating profit—continuing operations	**33.4**	**48.6**	**99.6**
Less: share of profits of joint ventures	(2.4)	(0.6)	(2.1)
Adjustments for:			
Depreciation of property, plant and equipment	22.4	21.1	20.5
Loss on disposal of assets	0.6	0.9	0.9
Special Items	2.1	2.0	0.1
Cash impact of restructuring and site closure	(0.4)	(1.6)	(0.7)
Movement in working capital	(13.0)	3.0	11.2
Cash generated from operations	**42.7**	**73.4**	**129.5**
Reconciliation of movement in working capital			
Decrease/(increase) in inventories	43.7	(10.0)	(15.0)
Decrease/(increase) in trade and other receivables	(53.6)	11.5	16.4
Increase/ (decrease) in trade and other payables	(3.1)	1.5	9.8
Movement in working capital	(13.0)	3.0	11.2

20 Provisions for other liabilities and charges

(US$ millions)	Environmental reserve	Restructuring	Total
At 1 January 2018	(1.0)	(0.9)	(1.9)
Charged to the income statement	—	(0.1)	(0.1)
Utilised during the year	0.1	0.8	0.9
At 31 December 2018	(0.9)	(0.2)	(1.1)

(US$ millions)	Environmental reserve	Restructuring	Total
At 1 January 2019	(0.9)	(0.2)	(1.1)
Charged to the income statement	—	(2.1)	(2.1)
Utilised during the year	0.2	1.6	1.8
At 31 December 2019	(0.7)	(0.7)	(1.4)

(US$ millions)	Environmental reserve	Restructuring	Total
At 1 January 2020	(0.7)	(0.7)	(1.4)
Charged to the income statement	—	(2.1)	(2.1)
Utilised during the year	0.3	0.4	0.7
At 31 December 2020	(0.4)	(2.4)	(2.8)

21 Related party transactions and parent net investment

This combined historical financial information has been prepared as historically managed within Eastman and are derived from the consolidated financial statements and accounting records of Eastman. The following discussion summarises activity between the Business and Eastman.

Allocation of corporate expenses

The Combined Statement of Comprehensive Income (Loss) includes expenses for certain centralised functions and other programs provided and administered by Eastman, as described in Note 1, “Description of Business and Basis of Presentation”. Costs for such services were as follows:

(US$ millions)	2020	2019	2018
Selling, general and administrative	10.7	10.4	9.6
Research and development	5.0	8.4	3.8
Total allocated operating expenses	**15.7**	**18.8**	**13.4**

Allocated research and development expenses relate primarily to process innovation projects that support significant chemistry changes and major equipment designs intended to result in new manufacturing processes for existing products.

Related Party Sales and Purchases

During the years ended 31 December 2020, 2019 and 2018, the Business' sales to Eastman were immaterial. The Business purchased inventory from Eastman totalling US$28.6 million, US$30.0 million, and US$46.1 million for the years ended 31 December 2020, 2019 and 2018, respectively. As of 31 December 2020, 2019 and 2018, the aggregate amounts of inventories purchased from Eastman that remained on the Business' Combined Statement of Financial Position were US$1.4 million, US$1.6 million and US$0.8 million respectively.

Related Party Accounts Receivable

Certain intercompany balances between the Business and Eastman primarily related to cash pooling and general financing activities are included within Parent net investment in the Combined Statement of Financial Position when the intercompany balances are not historically settled in cash.

Certain intercompany transactions with Eastman have historically been settled in cash and, therefore, the related intercompany balances are included in the Combined Statement of Financial Position as "Other noncurrent assets" and amounted to US$2.9 million, US$2.6 million and US$4.4 million as of 31 December 2020, 2019 and 2018, respectively.

Related Party Debt and Interest

The Business enters into various intercompany loan agreements with Eastman and its subsidiaries, both as a borrower and a lender, to fund its operations and Eastman's subsidiaries. The Business had an outstanding intercompany loan payable balance of US$6.9 million as of 31 December 2018 which was settled during the year ended 31 December 2019. As of 31 December 2020 and 2019, the Business did not have any outstanding intercompany loan receivables or payables. Interest expense related to the related party payables was US$0.1 million and US$0.2 million for years ended 31 December, 2019 and 2018, respectively.

Intercompany loan agreements with indefinite repayment terms are included in the Combined Statement of Financial Position as Parent Net Investment.

Key management Personnel Compensation

There are no key management personnel forming part of this combined historical financial information and it is not possible to apportion the amount of allocated corporate expenses relating to key management, therefore no amounts for key management personnel compensation have been disclosed.

Invested Capital

The net transfers to the Parent are included within invested capital on the Combined Statement of Changes in invested capital. The components of the transfers to Parent during the years ended 31 December 2020, 2019 and 2018 were as follows:

(US$ millions)	2020	2019	2018
Cash pooling and general financing activities	4.8	1.0	(79.2)
Corporate allocations	15.7	18.8	13.4
Purchases from Parent	(28.6)	(30.0)	(46.1)
Provision for income taxes	6.3	7.5	14.8
Repayment of borrowings	—	(6.9)	—
Total net transfers to Parent	(1.8)	(9.6)	(97.1)

Section B: Accountants' Report on the Combined Historical Financial Information relating to Adhesive Technologies

pwc

The Directors (the "**Directors**")
Synthomer plc
Temple Fields
Harlow
Essex
CM20 2BH

Barclays Bank plc
5 North Colonnade,
Canary Wharf,
London
United Kingdom,
E14 4BB

30 November 2021

Dear Ladies and Gentlemen

The Adhesive Technologies business of Eastman Chemicals Company (the "Target Group")

We report on the financial information of the Target Group for the years ended 31 December 2018, 2019 and 2020 as set out in section A of Part III of the Circular dated 30 November 2021 (the "**Circular**") of Synthomer plc (the "**Company**") (the "**Target Group Financial Information Table**").

This report is required by item 13.5.21R of the Listing Rules of the Financial Conduct Authority (the "**Listing Rules**") and is given for the purpose of complying with that item and for no other purpose.

Opinion on financial information

In our opinion, the Target Group Financial Information Table gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Target Group as at the dates stated and of its profits, cash flows and statement of changes in invested capital for the years ended 31 December 2018, 2019 and 2020 in accordance with UK adopted international accounting standards.

Conclusions Relating to Going Concern

We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Target Group Financial Information Table about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Target Group Financial Information Table and the Directors' identification of any material uncertainties to the Target Group's ability to continue as a going concern over a period of at least twelve months from the date of this Circular.

We have nothing material to add or to draw attention to.

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Responsibilities

The Directors of the Company are responsible for preparing the Target Group Financial Information Table in accordance with UK adopted international accounting standards and in a form that is consistent with the accounting policies adopted in the latest consolidated annual accounts of Synthomer plc.

It is our responsibility to form an opinion on the Target Group Financial Information Table and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of Preparation

The Target Group Financial Information Table has been prepared for inclusion in the Circular of the Company on the basis of the accounting policies set out in note 1 to the Target Group Financial Information Table.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council ("**FRC**") in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Target Group Financial Information Table. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma statement of net assets of the Enlarged Group (the **"Unaudited Pro Forma Financial Information"**) has been prepared on the basis of the notes set out below to illustrate the effect of the Acquisition and the related financing on the Synthomer Group as if they had taken place as at 30 June 2021.

The Unaudited Pro Forma Financial Information set out in this Part IV has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation. It therefore does not represent the Synthomer Group's actual financial position or results or what the Enlarged Group's actual financial position would have been if the Acquisition and related financing had been completed on the date indicated, nor does it purport to represent the results of operations for any future period or financial position at any future date.

The Unaudited Pro Forma Financial Information does not reflect the effect of anticipated synergies and efficiencies or the related costs of achieving these synergies that may result from the Acquisition.

The Unaudited Pro Forma Financial Information has been prepared on a basis consistent with the accounting policies adopted by the Company in preparing its unaudited condensed consolidated financial statements for the six months ended 30 June 2021 and in accordance with item 13.3.3R of the Listing Rules. The adjustments in the Unaudited Pro Forma Financial Information will not have a continuing impact on the Enlarged Group, unless stated otherwise.

Furthermore, the Unaudited Pro Forma Financial Information set out in this Part IV does not constitute financial statements within the meaning of section 434 of the Companies Act. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part IV.

Section A: Unaudited pro forma statement of net assets relating to the Enlarged Group

£ millions	Synthomer Group as at 30 June 2021	Adjustments: Adhesive Technologies as at 31 December 2020	Adjustments: Equity Financing	Adjustments: Debt Financing	Adjustments: Acquisition Adjustments	Pro Forma Enlarged Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Non-current assets						
Goodwill	484.8	56.4	—	—	324.0	865.2
Acquired Intangible assets	314.1	—	—	—	—	314.1
Other intangible assets	40.0	—	—	—	—	40.0
Property, plant and equipment	497.5	231.7	—	—	—	729.2
Deferred tax assets	32.3	3.0	—	—	—	35.3
Investment in joint venture	7.3	19.4	—	—	—	26.7
Other non-current assets	—	0.4	—	—	—	0.4
Total non-current assets	**1,376.0**	**310.9**	**—**	**—**	**324.0**	**2,010.9**
Current assets						
Inventories	218.2	95.5	—	—	—	313.7
Trade and other receivables	394.9	70.7	—	—	—	465.6
Cash and cash equivalents	284.7	—	203.2	345.0	(742.9)	90.0
Derivative financial instruments	—	—	—	—	—	—
Total current assets	**897.8**	**166.2**	**203.2**	**345.0**	**(742.9)**	**869.3**
Total assets	**2,273.8**	**477.1**	**203.2**	**345.0**	**(418.9)**	**2,880.2**
Current liabilities						
Borrowings	(15.3)	—	—	—	—	(15.3)
Trade and other payables	(372.9)	(36.9)	—	—	—	(409.8)
Lease liabilities	(10.1)	(1.2)	—	—	—	(11.3)
Current tax liability	(92.8)	(0.4)	—	—	—	(93.2)
Dividends payable	(36.5)	—	—	—	—	(36.5)
Provisions for other liabilities and charges	(17.8)	(1.8)	—	—	—	(19.6)
Derivative financial instruments	(15.4)	—	—	—	—	(15.4)
Total current liabilities	**(560.8)**	**(40.3)**	**—**	**—**	**—**	**(601.1)**
Non-current liabilities						
Borrowings	(623.9)	—	—	(345.0)	—	(968.9)
Trade and other payables	(2.2)	(1.4)	—	—	—	(3.6)
Lease liabilities	(39.8)	(2.1)	—	—	—	(41.9)
Deferred tax liabilities	(52.4)	(27.3)	—	—	—	(79.7)
Retirement benefit obligations	(163.4)	—	—	—	—	(163.4)
Provisions for other liabilities and charges	(9.7)	—	—	—	—	(9.7)
Total non-current liabilities	**(891.4)**	**(30.8)**	**—**	**(345.0)**	**—**	**(1,267.2)**
Total liabilities	**(1,452.2)**	**(71.1)**	**—**	**(345.0)**	**—**	**(1,868.3)**
Net assets	**821.6**	**406.0**	**203.2**	**—**	**(418.9)**	**1,011.9**

Notes:

(1) Synthomer Group's financial information has been extracted, without material adjustment from the Synthomer Group unaudited condensed consolidated interim financial statements for the six month period ended 30 June 2021 incorporated by reference in paragraph 11 of Part VI (*Additional Information*) of this document.

(2) The Adhesive Technologies' financial information has been extracted, excluding certain assets and liabilities which are not being acquired ("**Excluded Assets**") (as set out below), from the Combined Historical Financial Information of Adhesive Technologies, which has been prepared in accordance with the basis of preparation set out in note 1 of the Combined Historical Financial Information of Adhesive Technologies, and is set out in Part III (*Combined Historical Financial Information of Adhesive Technologies*) of this document. A spot rate of US$1.37 to £1, has been used to convert the financial information of Adhesive Technologies into pounds sterling as at 31 December 2020.

Excluded Assets include:

	£ million
Net assets of the Adhesive Technologies Business	404.9
Assets and liabilities retained by seller	
Inventories	(1.3)
Trade and other payables	2.4
Derivative financial instruments	2.1
Other non-current assets	(2.1)
	1.1
Net assets acquired	406.0

(3) On 28 October 2021, the Company issued 42,485,080 Placing Shares at a price of 485 pence per share. The net proceeds of the Placing were £203.2 million (net of transaction costs of £2.8 million).

(4) This adjustment shows the debt that will be drawn down in order to fund the Acquisition. Total new loans and borrowings of the Synthomer Group in connection with the Acquisition comprise the US$300m Term Facility and a revolving credit facility referred to in paragraph 5.1.5 of Part VI (*Additional Information*) of this document ("**RCF**"). To fund the Acquisition, the Term Facility will be fully drawn and a drawdown of £130 million will be made on the RCF. For the purposes of this pro forma financial information, the following assumptions have been with regards to each element of the debt financing:

(i) the Term Facility of US$300m will be drawn fully in US Dollars. For the purposes of the pro forma financial information, the Term Facility drawdown has been translated at the Spot rate of US$1.37 to £1.00 (at 31 December 2020), equating to £219 million. The drawdown is shown net of arrangement fees of £4 million that will be capitalised; and

(ii) the RCF drawdown will be £130 million. This drawdown is based on the Synthomer Group's forecast available cash at the anticipated closing date of the Acquisition as well as the best estimate of total consideration payable after customary purchase price adjustments (see note 5 below)

(5) The Unaudited Pro Forma Financial Information has been prepared on the basis that the Synthomer Group will apply acquisition accounting. The adjustments arising as a result of the Acquisition are set out below:

Total consideration in respect of the Acquisition is US$ 1 billion (approximately £730 million) on a cash free, debt free basis. As such the following adjustment has been made to the Company's net assets for the purposes of the pro forma goodwill calculation

Goodwill recognised	**£ million**
Net purchase price	730.0
Less	
Net assets acquired	406.0
Goodwill recognised	324.0

Cash payments	**£million**
Purchase price	(730.0)
Acquisition costs	(12.9)
Total cash payments	(742.9)

The Unaudited Pro Forma Financial Information has been prepared on the basis that the Acquisition will be treated as a business combination in accordance with IFRS 3 Business Combinations. Synthomer plc expects to undertake a fair value exercise following Completion of the Acquisition and no account has been taken of any fair value adjustments to the acquired assets and liabilities of Adhesive Technologies in the Unaudited Pro Forma Financial Information. For the purposes of the Unaudited Pro Forma Financial Information the excess of total consideration over the carrying amount of net assets acquired has been attributed to goodwill.

(6) In preparing the pro forma statement of Net Assets, no account has been taken of the trading or transactions of Synthomer plc or Adhesive Technologies since 30 June 2021 and 31 December 2020 respectively.

Section B: Accountant's report on the Unaudited Pro Forma Financial Information

The Directors (the "**Directors**")
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30 November 2021

Dear Ladies and Gentlemen

Synthomer plc (the "Company")

We report on the unaudited pro forma financial information (the "**Pro Forma Financial Information**") set out in Section A of Part IV of the Company's circular dated 30 November 2021 (the "**Circular**").

This report is required by item 13.3.3R of the Listing Rules of the Financial Conduct Authority (the "**Listing Rules**") and is given for the purpose of complying with that item and for no other purpose.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the Directors to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

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Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in Circular.

Basis of preparation

The Pro Forma Financial Information has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Acquisition and related financing might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the interim consolidated financial statements for the period ended 30 June 2021.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council ("**FRC**") in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART V

SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE PURCHASE AGREEMENT

1. Introduction

On 28 October 2021, the Company entered into the Purchase Agreement with Eastman Chemical Company ("**Parent**"), Eastman Chemical Resins, Inc. ("**US Asset Seller**"), Eastman Chemical B.V. ("**Dutch Seller**"), Eastman Chemical Uruapan, S.A. de C.V. ("**Mexican Opco**"), Eastman Chemical Adhesives (Hong Kong) Limited ("**EC Adhesives**"), Eastman Chemical Ltd. ("**EC Ltd**", and together with Eastman, US Asset Seller, Mexican Opco, Dutch Seller, and EC Adhesives, "**Sellers**" and, each individually, a "**Seller**") which sets out the terms and conditions of the agreement for the Company to purchase (1) a newly-formed subsidiary of Eastman which will hold the issued and outstanding equity interests of Eastman Chemical Middelburg B.V. ("**Dutch Opco**"), (2) a newly-formed subsidiary of US Asset Seller which will hold certain US assets relating to the business of Adhesive Technologies, (3) a newly-formed subsidiary of the Parent which will hold certain assets in Mexico and (4) a newly-formed subsidiary of Eastman Chemical Ltd. and Eastman Chemical Adhesives (Hong Kong) which will hold one half of the outstanding and issued equity interests in Nanjing Yangzi Eastman Chemical Ltd. (together, the "**Purchased Entities**") and (5) certain specified assets of the Eastman Group (other than the Purchased Entities) related to or used in connection with the business of Adhesive Technologies.

Adhesive Technologies is currently conducted by various Eastman Group entities. Prior to Completion, the Sellers will carry out an internal reorganisation, transferring a portion of Adhesive Technologies and certain assets and liabilities connected thereto to a number of target entities which the Company (or the relevant members of the Synthomer Group) will acquire on Completion. The Company will also acquire a portion of Adhesive Technologies and certain assets and liabilities connected thereto through various members of the Synthomer Group.

In connection with the purchase of the Purchased Entities and certain specified assets of the Eastman Group (other than the Purchased Entities) related to or used in connection with Adhesive Technologies, the Company (or the relevant members of the Synthomer Group) will also purchase, acquire and accept from Eastman among other things,, (a) all rights under the contracts of Eastman and its affiliates (excluding the Purchased Entities) primarily related to or used in Adhesive Technologies, (b)(i) all buildings, fixtures, improvements tangible personal property located on, above or under the leased real property in Longview, Texas and (ii) all owned real property and any real property subject to a real property lease and all improvements thereto owned or leased by Eastman or its affiliates primarily used in Adhesive Technologies, (c) all accounts receivable to the extent primarily related to Adhesive Technologies, (d) Adhesive Technologies inventory, (e) books and records primarily related to or used in Adhesive Technologies, (f) all permits primarily related to or primarily used in Adhesive Technologies, (g) all rights under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent primarily related to products sold, or services provided, to Eastman or its affiliates (other than the Purchased Entities) in connection with Adhesive Technologies or to the extent affecting any of the other purchased assets, (h) all material intellectual property to the extent primarily related to or primarily used in Adhesive Technologies, (i) all intangible rights of Eastman and its affiliates primarily relating to Adhesive Technologies, including value as a going concern and all goodwill in any way associated therewith, (j) all software, systems, servers, computers, hardware, firmware, middleware, networks, data communications lines, routers, hubs, switches and other information technology equipment primarily related to or primarily used in Adhesive Technologies, and (k) all prepaid charges, expenses or rent under the leases of Eastman (solely in respect of Adhesive Technologies) or otherwise in respect of the purchased assets.

2. Conditions Precedent to Completion

The obligations of the parties to the Purchase Agreement to complete the Acquisition are subject to the satisfaction or waiver of certain conditions (the "**Conditions**"). Such Conditions include:

(i) the absence of: (1) any law that makes illegal or otherwise prohibits the completion of the Acquisition; or (2) any legal proceeding or order by a competent governmental authority that restrains, enjoins or otherwise prohibits or makes illegal the completion of the Acquisition;

(ii) the expiration or termination of the applicable waiting period (or extension thereof) under the HSR Act and the receipt of certain other applicable antitrust consents or approvals and the expiration or termination of any applicable waiting periods (or extensions thereof) thereto;

(iii) the affirmative vote in favour of approval of the Resolutions required to approve and implement the Acquisition by the Shareholders representing a simple majority of the votes represented in person or by proxy at the General Meeting;

(iv) the representations and warranties of each party to the Purchase Agreement being true and correct as at the date of the Purchase Agreement and as at the Completion Date, subject to certain exceptions based on materiality, material adverse effect and similar standards;

(v) each party to the Purchase Agreement having performed or complied in all material respects with the covenants and agreements contained in the Purchase Agreement to be performed or complied with by it prior to or on the Completion Date;

(vi) the absence of any result, fact, condition, circumstance, occurrence, effect, change, event or development or related series thereof that, individually or in the aggregate, has resulted in or has had, or would reasonably be expected to result in or have a material adverse effect on Adhesive Technologies or the Purchased Entities, the value of Adhesive Technologies or the Purchased Entities or any other assets being transferred or the ability of the Sellers to perform their obligations under the Purchase Agreement (subject to certain exceptions based on matters outside of the Sellers' control or other external circumstances);

(vii) completion of the transfer by Eastman to newly formed corporate entities to be acquired by the Company of various US assets and liabilities, other than those relating to the Jefferson Hills site, and various Mexican assets and liabilities;

(viii) the release of all liens on the Purchased Entities and the transferred assets at the time of Completion; and

(ix) Dutch Opco and the Dutch Seller having complied with article 25 of the Dutch Works Councils Act in connection with the consultation process between Dutch Opco's and Dutch Seller's works council and Dutch Opco and Dutch Seller, respectively;

(x) the Company and the Sellers each having provided the relevant Completion deliverables required to be provided to the other party pursuant to the terms of the Purchase Agreement, including any necessary documents required to transfer Adhesive Technologies to the Company; and

(xi) the Company and the Sellers each having provided a certificate dated the Completion Date signed on its respective behalf by a duly authorised executive to the effect that the Conditions set out in (iv) and (v) above have been satisfied (each in respect of its own obligations) and the Sellers having provided a certificate dated the Completion Date signed on its behalf by a duly authorised executive to the effect that the Condition set out in (vi) above have been satisfied.

3. Consideration

The consideration for the transaction and the acquisition of the equity interests and assets listed in paragraph 1 above will be the payment of the purchase price and assumption of certain assumed liabilities in connection with the assets being acquired.

The purchase price will be a cash amount equal to (a) the sum of (i) US$1,000,000,000, and (ii) the final closing cash position of each Purchased Entities (and in the case of Chinese Opco, a proportion of such closing cash position pro rata to the equity interests in Chinese Opco being acquired) as of the Effective Time, minus (b) the final total indebtedness of each Purchased Entity (and in the case of Chinese Opco, a proportion of such closing indebtedness pro rata to the equity interests in Chinese Opco being acquired) as of the Effective Time, and will be subject to a working capital adjustment.

4. Representations and Warranties

Under the Purchase Agreement, the Company made customary representations and warranties to the Sellers in relation to its ability to complete the Acquisition. The Sellers made customary representations and warranties to the Company also confirming the Sellers' ability to complete the Acquisition as well as customary business warranties in respect of Adhesive Technologies and the Purchased Entity, in each case as at the date of the Purchase Agreement. These representations and warranties are repeated on the Completion Date, subject to certain exceptions based on materiality, material adverse effect and similar standards.

Following Completion, the Company will have limited contractual recourse against the Sellers in respect of any losses which it may suffer in respect of a breach of the Sellers' representations and warranties. Accordingly, the Company has obtained a buy-side representation and warranties insurance policy up to a maximum coverage of $100 million (the **"R&W Insurance Policy"**) in respect the Sellers' representations and warranties contained in the Purchase Agreement, subject to certain specified retention and limitations agreed between the Company and the insurer. The R&W Insurance Policy expires 36 months after Completion (the **"Expiration Date"**); however, the Expiration Date shall be extended to 72 months after Completion with respect to certain representation set out in the Purchase Agreement and certain pre-Completion tax indemnities.

5. Covenants

5.1 *Conduct of Adhesive Technologies*

Each of the parties to the Purchase Agreement has undertaken to perform and comply with customary covenants until the Completion. The Sellers have agreed that prior to the Completion, except (1) as required by any governmental or regulatory body or by applicable law; (2) in order to comply with any COVID-19 measure issued by a governmental body or industry group, (3) as explicitly required by the Purchase Agreement or other ancillary transaction documents or (4) with prior consent of the Company, they will and cause the Purchased Entities to, conduct Adhesive Technologies in the ordinary course of business and will use commercially reasonable efforts to preserve and maintain intact the present business operations, organisation goodwill of Adhesive Technologies and the Purchased Entities, and relationships with employees, customers, lenders, suppliers, regulators and others having business relationships with Adhesive Technologies or the Purchased Entities. In addition, subject to the same exceptions as set out above, the Sellers have agreed they will not and will not permit the Purchased Entities to take certain specified actions, including, but not limited to, amending constitutional documents, declaring or paying dividends, making capital expenditures in excess of US$500,000 in the aggregate and incurring any indebtedness in excess of certain amounts, hire or terminate employees with an annual base salary in excess of US$100,000, modify employee compensation outside of ordinary course promotions or annual increases to base salary, materially alter any real property, terminate or modify existing insurance policies, enter in to terminate or modify any material contract outside of the ordinary course, acquire or dispose of any material assets, settle any litigation in a manner that would restrict the conduct of Adhesive Technologies or incur a settlement fee greater than US$3,500,000, agree to any reorganisation, winding up or liquidation of any part of Adhesive Technologies, issue any equity interests (subject to agreed exceptions).

5.2 *Satisfaction of conditions and assistance*

Each party has agreed to use its commercially reasonable efforts to (1) take all actions necessary or appropriate to complete the transactions contemplated by the Purchase Agreement and (2) cause the fulfilment at the earliest practicable date of all of the conditions to their respective obligations to complete the transactions contemplated by the Purchase Agreement, including a strong commitment by the Company that the relevant governmental and regulatory approvals required for the acquisition will be obtained.

The parties have agreed to assist each other, as reasonably required, in relation to the preparation of this document and any required supplementary circular(s).

5.3 *Recommendations and non-solicit*

The Company has agreed under the Purchase Agreement that the Board shall recommend that Shareholders vote in favour of the Resolutions and not to, or to publicly propose to, fail to make, withdraw, qualify or modify in a manner adverse to Eastman, such recommendation. This obligation is subject to a customary carve-out whereby the Board or any duly constituted and authorised committee thereof may in response to an intervening event that constitutes a Company Takeover Proposal effect a Company Recommendation Change, if the Board or such committee determines in good faith, after consultation with outside legal counsel, that such Company Takeover Proposal constitutes or could reasonably be expected to lead to a bona fide superior Company Takeover Proposal (which is reasonably capable of being completed and is more favourable from a financial point of view to the Shareholder) and as a result of such intervening event, the failure to take such action would be inconsistent with its fiduciary duties under applicable law and its duties under section 172 of the Companies Act. However, prior to taking any such action, the Company shall use commercially reasonable efforts to give Eastman four Business Days to propose an offer to effect revisions to the terms of the Purchase Agreement so as to cause the Board or any duly constituted and authorised committee thereof to not determine the failure to effect a Company Recommendation Change would be inconsistent with the directors' fiduciary duties under applicable law and its duties under section 172 of the Companies Act.

The Company has agreed to customary covenants that prevent the Company from, directly or indirectly, soliciting, initiating, knowingly facilitating or encouraging any **"Company Takeover Proposal"**, which is defined as an offer from a third party to acquire more than 30% of the voting power, Shares or consolidated assets, revenues or net income of the Company. However, if the Company receives an offer from a third party in relation to a Company Takeover Proposal prior to obtaining the Shareholder Approval, and the Board or any duly constituted and authorised committee thereof determines in good faith, after consultation with its financial advisor and outside legal counsel, that not engaging in discussions or negotiations with such third party would be inconsistent with the directors' fiduciary duties under applicable law and its duties under section 172 of the Companies Act, the Company is entitled to engage in discussions or negotiations in relation to the Company Takeover Proposal.

6. Termination

6.1 *Termination by the Company or the Sellers*

The Purchase Agreement may be terminated prior to the Completion by the mutual written consent of the Company and the Sellers.

The Purchase Agreement may also be terminated prior to the Completion by either of the Company or the Sellers if:

(i) the Completion has not occurred on or prior to 28 July 2022 due to the Conditions set out above in paragraph 2 above not having been satisfied or waived as at the Longstop Date, provided that the right to terminate the Purchase Agreement under this paragraph will not be available to any party whose breach of, or failure to perform or comply with, any obligation under the Purchase Agreement materially contributed to, or resulted in, the failure of the Completion to occur on or before the Longstop Date (including any extensions thereto);

(ii) (1) any law makes illegal or otherwise prohibits the completion of the Acquisition or (2) any legal proceeding or order by a competent governmental authority restrains, enjoins or otherwise prohibits or makes illegal the completion of the Acquisition), provided that the right to terminate the Purchase Agreement pursuant to this paragraph will not available to any party whose action or failure to fulfil any obligation under the Purchase Agreement has been the cause of, or resulted in, the issuance of such order; or

(iii) the General Meeting (including any adjournments and postponements thereof) shall have concluded and the Shareholder Approval has not been obtained.

6.2 *Termination by the Sellers*

The Purchase Agreement may be terminated by the Sellers prior to the Completion if:

(i) any conditions described in paragraphs 2(iv), 2(v), 2(x) or 2(xi) above shall have become unfulfilled or incapable of fulfilment as a result of any inaccuracy in, breach of or failure to perform any of the Company's representations, warranties, or covenants and such inaccuracy, breach or failure to perform has not been cured by the earlier of (1) the Longstop Date, and (2) 30 days following the Sellers having given written notice to the Company, provided this termination right shall not apply if the Sellers are then in material breach or default of any provisions of the Purchase Agreement so as to cause any of the conditions described in paragraph 2(iv), 2(v), 2(vi), 2(x) or 2(xi) not to be satisfied; or

(ii) prior to the General Meeting, the Board or any duly constituted and authorised committee of the Board shall have made a Company Recommendation Change.

6.3 *Termination by the Company*

The Purchase Agreement may be terminated by the Company prior to the Completion if any conditions described in paragraphs 2(iv), 2(v), 2(vi), 2(x) or 2(xi) above shall have become unfulfilled or incapable of fulfilment as a result of any inaccuracy in, breach of or failure to perform any of the Sellers' representations, warranties, or covenants and such inaccuracy, breach or failure to perform has not been cured by the earlier of (1) the Longstop Date, and (2) 30 days following the Company having given written notice to the Company, provided this termination right shall not apply if the Company is then in material breach or default of any provisions of the Purchase Agreement so as to cause any of the conditions described in paragraph 2(iv), 2(v), 2(x) or 2(xi) not to be satisfied.

7. Termination Fee

The Company is required to pay the Sellers the sum of US$27,651,000 (approximately £20,138,000) (representing 1% of the market capitalisation of the Company as at 27 October 2021, the Business Day preceding the date on which the Purchase Agreement was entered into) (the "**Termination Fee**") if the Purchase Agreement is terminated by:

(i) the Sellers or the Company where:

(1) the General Meeting (including any adjournments and postponements thereof) shall have concluded and the requisite Shareholder Approval has not been obtained; or

(2) the Completion has not occurred on or prior to the Longstop Date (including any extension thereto) due to the Conditions set out above in paragraph 2 above not having been satisfied or waived as of the Longstop Date, if, at the time of such termination the Purchase Agreement could have been terminated pursuant to paragraph 6.1(iii) or 6.2(ii); or

(ii) the Sellers where prior to the General Meeting, the Board or any duly constituted and authorised committee of the Board shall have made a Company Recommendation Change.

8. TSA

In connection with the transactions contemplated by the Purchase Agreement, Eastman and the Company will enter into a transition services agreement, effective as of the Completion Date (the "**Transition Services Agreement**"), under which Eastman or its affiliates will provide the Company and its affiliates with specified transition services, including, but not limited to, financing, IT, procurement, supply chain, manufacturing, technology and global trade compliance support and other assistance as specifically set forth on a schedule to the Transition Services Agreement (the "**Services Schedule**"), for a limited time following the Completion Date. The Transition Services Agreement also addresses certain matters with respect to the provision of such services, including the management of the relationship between the parties, the use of and access to each other's records, confidentiality and proprietary rights.

Amounts payable for services provided under the Transition Services Agreement will be calculated on a monthly fixed-fee basis, with aggregate fixed monthly fees specified in the Services Schedule for each of the services described therein. The Company shall also pay a US$4,000,000 one-time set up fee to Eastman on the Completion Date.

The Company may request that additional services be added to the Services Schedule and Eastman shall use commercially reasonable efforts to provide any such additional services requested by the Company that it can reasonably provide, and the fees for such additional services will be determined based on the same methodologies, principles, and practices used to calculate the fees as set forth on the Services Schedule.

The Transition Services Agreement will continue in effect until the end of the term of the last service to be provided. Individual service terms range from three months to one year, as specified on the Services Schedule. The Company may extend the term of any service for up to a sixty day period at no increase to the fees (the **"Extension Term"**). If the Company and Eastman agree to continue any services after the expiration of an Extension Term, a service fee escalation, as specified on the Services Schedule, will be applied during such period. The Company may terminate any service upon 30 days written notice to Eastman.

Eastman has agreed to indemnify the Company and its affiliates and related parties from losses related to (i) Eastman or its Affiliates' gross negligence or wilful misconduct in connection with providing services and (ii) incurred taxes that are the Seller's taxes. The Company has agreed to indemnify the Seller and its affiliates and related parties from losses related to all third party claims arising out of the performance of the services, except to the extent such losses are subject to indemnification pursuant to items (i) and (ii) above.

PART VI

ADDITIONAL INFORMATION

1. Responsibility statement

The Company and the Directors, whose names are set out in paragraph 3.1 (*Directors*) below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and registered office

The Company was incorporated and registered in England and Wales with the name Malaya General Company Limited on 16 June 1908 as a private company limited by shares with registered number 00098381. On 13 October 1971, the Company merged with Yule, Catto & Co. Limited and changed its name to Yule, Catto & Co. Limited. On 25 November 1981 the Company was re-registered as a public limited company and on 4 December 2012, the Company changed its name to Synthomer plc.

The principal legislation under which the Company operates is the Companies Act.

The Company is domiciled in the United Kingdom with its registered office at Central Road, Temple Fields, Harlow, Essex, CM20 2BH, United Kingdom and its principal place of business at 45 Pall Mall, London, SW1Y 5JG, United Kingdom.

The telephone number of the Company's registered office is +44 (0)1279 436 211.

3. Directors

3.1 Directors

The Directors of the Company as at the date of this document and their respective roles are set out below:

Name	Position
Caroline Johnstone	Chair
Michael Willome	Chief Executive Officer
Stephen Bennett	Chief Financial Officer
The Hon. Alexander Catto	Non-Executive Director
Dato' Lee Hau Hian	Non-Executive Director
Brendan Connolly	Senior Independent Director
Holly A. Van Deursen	Independent Non-Executive Director
Cynthia Dubin	Independent Non-Executive Director
Roberto Gualdoni	Independent Non-Executive Director

3.2 Share interests

The Directors of the Company as at the Latest Practicable Date have the following interests in Shares (including beneficial interests and certain non-beneficial interests).

Director	No.	% of total issued share capital
Caroline Johnstone	11,522	0.0025
Michael Willome	0	0
Stephen Bennett	195,817	0.042
The Hon. Alexander Catto	8,686,680	1.86
Dato' Lee Hau Hian	148,453	0.032
Brendan Connolly	4,000	0.00086
Holly A. Van Deursen	11,000	0.0024
Cynthia Dubin	0	0
Roberto Gualdoni	0	0

Taken together, the combined percentage interest of the Directors in the voting rights in respect of the issued ordinary share capital of Synthomer as at the Latest Practicable Date was approximately 1.9%.

In addition, taken together, the combined percentage interest of the directors in the voting rights in respect of the issued ordinary share capital of Synthomer as at the date of entry into the Purchase Agreement on 28 October 2021 (which includes Calum MacLean, who stepped down as CEO of the Company on 1 November 2021) was approximately 2.4%.

3.3 Share awards

The Directors had the following options and awards relating to Shares under the Synthomer Share Schemes as at the Latest Practicable Date.

Director	Plan	Original date of grant	Exercise price (£)	No. of shares subject to awards	Performance period end date
Michael Willome	Synthomer performance Share plan - nil cost options	8 November 2021	Nil	198,295	31/12/2023
Stephen Bennett	Synthomer performance Share plan - nil cost options	11 March 2019	Nil	119,536	31/12/2021
	Synthomer performance Share plan - nil cost options	12 March 2020	Nil	163,500	31/12/2022
	Synthomer performance Share plan - nil cost options	6 May 2020	Nil	18,985	31/12/2022
	Synthomer performance Share plan - nil cost options	11 March 2021	Nil	124,446	31/12/2023

3.4 Directors' service contracts and letters of appointment

Save as disclosed below, there are no service agreements or letters of appointment in force between a director or proposed director of Synthomer or any of its subsidiaries and, save as disclosed below, no such agreement has been entered into or amended during the 6 months' preceding the date of this document. All the Directors retire and seek election or re-election at Annual General Meetings in accordance with the UK Corporate Governance Code.

3.4.1 Executive Directors

	Date of appointment	Notice period by Company (months)	Notice period by Director (months)
Michael Willome	1 November 2021	12 months	12 months
Stephen Bennett	1 May 2015	12 months	12 months

There is no unexpired term as each of the Executive Directors' contracts is on a rolling basis. Save in circumstances justifying summary termination the notice period for each of the above contracts is 12 months.

On 5 August 2021, the Company announced that Stephen Bennett had informed the Board that he would like to stand down as Chief Financial Officer in due course. Stephen has a twelve month notice period and agreed to remain in his role until a successor is appointed to ensure a smooth transition. On 25 November 2021, the Company announced the appointment of Lily Liu as Chief Financial Officer who will take up the role no later than 1 July 2022.

The Company may at the Remuneration Committee's discretion make a payment in lieu of notice equal to the salary, pension contributions and contractual benefits that would have been paid during the notice period. This payment may be made at the Remuneration Committee's discretion as a lump sum or monthly instalments and may be subject to mitigation if the director finds an alternative position during the notice period. The Executive Directors are also entitled to 25 working days' holiday plus public holidays per calendar year.

3.4.2 Non-Executive Directors

	Date of appointment	Notice period by Company (months)	Notice period by Director (months)
Caroline Johnstone	20 March 2015	—	—
The Hon. Alexander Catto	3 December 1981	—	—
Brendan Connolly	20 January 2014	—	—
Cynthia Dubin	15 July 2020	—	—
Roberto Gualdoni	8 July 2021	—	—
Dato' Lee Hau Hian	22 December 1993	—	—
Holly A. Van Deursen	21 September 2018	—	—

All Non-Executive Directors are appointed in writing. Letters of appointment do not include entitlement to participation in the Company's share option scheme or any other of its employee benefits, and do not currently have a notice period. The Non-Executive Directors are subject to annual re-election. There is no right to compensation for loss of office if they are not re-elected or if the Company terminates the appointment because the Non-Executive Director has accepted a position with another company without prior board approval and which the Board reasonably considers likely to give rise to a material conflict.

4. Major shareholders

As at the Latest Practicable Date, insofar as is known to the Company, the following persons had an interest which represented 3% or more of the voting share capital of the Company, and the amount of such persons' interests, is as follows:

	Interests as at the Latest Practicable Date	
Name of Shareholder	**No.**	**% of total issued share capital**
Kuala Lumpur Kepong Berhad Group	99,745,012	21.34
Jupiter Asset Management Ltd	25,217,505	5.40
Abrdn	24,705,480	5.29
M&G Investments	22,762,682	4.87
Columbia Threadneedle Investments	22,190,425	4.75
Royal London Asset Management	15,417,072	3.30
Vanguard Group	15,357,816	3.29
Janus Henderson Investors	15,295,592	3.27
Blackrock	14,949,576	3.20

Save as disclosed above, the Directors are not aware of any interest which will represent an interest in the Company's share capital or voting rights which is notifiable under the Disclosure Guidance and Transparency Rules following Completion occurring.

5. Material contracts

5.1 Synthomer material contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company or any member of the Synthomer Group is a party, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Synthomer Group which contains any provision under which any member of the Synthomer Group has any obligation or entitlement which is material to the Synthomer Group as at the date of this document:

5.1.1 Purchase Agreement

On 28 October 2021, the Company entered into the Purchase Agreement, with Eastman Chemical Company and certain other members of the Eastman Group to purchase (1) Eastman Chemical Middelburg B.V., (2) a newly-formed subsidiary of Eastman Chemical Resins, Inc. which will hold certain US assets relating to Adhesive Technologies, (3) a newly-formed subsidiary of Eastman which will hold certain assets in Mexico and (4) a newly-formed subsidiary of Eastman Chemical Ltd. and Eastman Chemical Adhesives (Hong Kong) which will hold one half of the outstanding and issued equity interests in Nanjing Yangzi Eastman Chemical Ltd. and (5) certain specified assets of the Eastman Group related to or used in connection with Adhesive Technologies.

The obligations of the parties to the Purchase Agreement to complete the Acquisition are subject to the satisfaction or waiver of certain Conditions. Such Conditions include:

(i) the affirmative vote in favour of approval of the Resolutions required to approve and implement the Acquisition by the Shareholders representing a simple majority of the votes represented in person or by proxy at the General Meeting;

(ii) the expiration or termination of the applicable waiting period (or extension thereof) under the HSR Act and the receipt of certain other applicable antitrust consents or approvals and the expiration or termination of any applicable waiting periods (or extensions thereof) thereto; and

(iii) other customary Conditions as set out in paragraph 2 of Part V (*Summary of the Principal Terms and Conditions of the Purchase Agreement*).

Further details of the Purchase Agreement are set out under Part V (*Summary of the Principal Terms and Conditions of the Purchase Agreement*) of this document.

5.1.2 Placing and Sponsor Agreement

On 28 October 2021, the Company, Barclays and Numis entered into a placing and sponsor agreement (the "**Placing and Sponsor Agreement**"), pursuant to which the Company appointed Barclays and Numis as joint global coordinators and joint bookrunners in connection with the Placing. The Company also appointed Barclays as sponsor in connection with the Acquisition. Admission of the Placing Shares to the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange took place on 1 November 2021.

Subject to the terms and conditions of the Placing and Sponsor Agreement, each of Barclays and Numis severally agreed, as agent for the Company, to use its reasonable endeavours to procure placees for up to 33,417,352 Placing Shares, or failing which, Barclays and Numis will themselves severally subscribe for their proportionate share of the Placing Shares (other than Placing Shares subscribed for by KLK). In consideration for the services provided by the joint bookrunners under the Placing and Sponsor Agreement, the Company paid the joint bookrunners an aggregate commission of 1.75% of the gross proceeds of the 33,417,352 Placing Shares.

Under the Placing and Sponsor Agreement, the Company gave certain customary representations, warranties and undertakings to the joint bookrunners concerning, among other things, the accuracy of the statements of fact in certain public documents, including, but not limited to, the Placing Announcement and the Acquisition Announcement, and in relation to other matters relating to the Company and its business, and a customary indemnity from the Company in favour of joint bookrunners.

5.1.3 Term Facility

On 28 October 2021, Synthomer as original borrower and original guarantor and Synthomer (UK) Limited, Synthomer Trading Limited and Synthomer Holdings Limited as original guarantors entered into the Term Loan Facility Agreement with Barclays Bank PLC, Citi, HSBC and Santander as mandated lead arrangers and bookrunners, Barclays Bank PLC, Citibank, HSBC and Santander as original lenders and HSBC as agent. Under the Term Loan Facility Agreement, the Term Facility of US$300 million is available for drawing by Synthomer as the original borrower. Each of the bookrunners named above will arrange for the Term Facility to be syndicated to a number of financial institutions.

The Term Facility is unsecured but is otherwise guaranteed by the guarantors listed above and other additional guarantors required to accede following Completion.

The Term Facility is available to be applied for the following purposes: (1) financing the consideration payable for the Acquisition and (2) payment of fees, costs and expenses in connection with the Acquisition.

The Term Facility matures on 28 October 2024. The Term Facility is available for drawing in US dollars from the date of the Term Loan Facility Agreement to the last day of the **"Certain Funds Period"** (as defined in the Term Loan Facility Agreement). The last day of the Certain Funds Period is the earlier of (1) the Completion Date, (2) the longstop date under the Purchase Agreement, (3) the date which is 9 months after the date of the Term Loan Facility Agreement and (4) the date on which Synthomer has conclusively withdrawn or terminated its bid for Adhesive Technologies, the obligations of Synthomer under the Purchase Agreement have been conclusively terminated, the Purchase Agreement has been conclusively terminated following its execution or Synthomer's offer for Adhesive Technologies has been conclusively rejected or the Company is conclusively excluded from the sale process by the Sellers for any reason.

The Term Facility has been provided on a certain funds basis. This means that, provided certain key conditions have been satisfied, the lenders are obligated to participate in loans requested during the Certain Funds Period unless: (1) there is a **"Major Default"** (as defined in the Term Loan Facility Agreement), which includes non-payment, misrepresentation of a major representation, breach of negative pledge, disposal, merger or acquisitions restrictions, insolvency of a material subsidiary and certain other major defaults) continuing or which would result from the proposed utilisation, (2) a **"Major Representation"** (as defined in the Term Loan Facility Agreement), which includes representations with respect to status, binding obligations, non-conflict with other obligations and the acquisition documents, is untrue, (3) a change of control of Synthomer occurs or (4) it becomes unlawful for the lender to make the loan under the Term Facility Agreement.

The Term Loan Facility Agreement contains customary representations, undertakings, covenants, indemnities and events of default with appropriate carve-outs and materiality thresholds, where relevant. The financial covenant under the Term Loan Facility Agreement is a leverage covenant, whereby the net borrowings of the Synthomer Group must not exceed 4.00 times the consolidated EBITDA of the Synthomer Group on the first **"Calculation Date"** (as defined in the Term Loan Facility Agreement, being 31 December 2021), 3.50 times the consolidated EBITDA of the Synthomer Group on the second and third Calculation Date, 3.25 times the consolidated EBITDA of the Synthomer Group on each Calculation Date thereafter. No more than once during the life of the Term Facility, following completion of an acquisition, Synthomer may elect to increase the maximum permitted leverage by 0.50 times the consolidated EBITDA of the Synthomer Group in respect of the two measurement periods ending immediately following completion of such acquisition.

The Term Facility may be prepaid without premium or penalty subject to a maximum of three voluntary prepayments per annum. The amount available under the Term Facility is subject to reduction in accordance with the mandatory prepayment provisions set out therein (including where a change of control of Synthomer occurs or where it becomes unlawful for any lender to perform its obligations under the Syndicated Facilities).

The interest rate charged on loans made under the Term Facility will be equal to the aggregate of an appropriate benchmark rate and the applicable margin. The initial margin under the Term Facility is 1.10% per annum, with the margin ratcheting between 2.30% per annum and 1.00% per annum in accordance with the total leverage of the Synthomer Group.

Certain fees are payable to the finance parties in connection with the Term Facility, including upfront fees, an agency fee and an ongoing commitment fee. The Term Loan Facility Agreement is governed by the laws of England and Wales.

5.1.4 2020 Notes

On 25 June 2020, Synthomer issued and sold an initial aggregate principal amount of €520,000,000 of its 3⅞% senior notes due 2025 (the "**Notes**"). The terms of the Notes are governed by an indenture, dated as of 25 June 2020 (the "**Indenture**"), among Synthomer as issuer, Synthomer (UK) Limited, Synthomer Trading Limited, Synthomer Holdings Limited, Synthomer Deutschland GmbH, Synthomer S.r.l., Synthomer Specialty Resins S.r.l., OMNOVA Solutions Inc. and Synthomer Sdn Bhd as initial guarantors and Citibank, N.A., London Branch as trustee, paying agent, transfer agent and registrar.

The Notes were issued and sold in a private transaction exempt from the registration requirements of the Securities Act, to persons reasonably believed to be qualified institutional buyers in accordance with Rule 144A under the Securities Act and to non-US persons outside of the United States pursuant to Regulation S under the Securities Act. Accordingly, the Notes and the related guarantees are not registered under the Securities Act and the Notes and the related guarantees may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

The Notes are senior unsecured obligations of the issuer and are guaranteed on a senior unsecured basis, jointly and severally, by certain of Synthomer's existing and future restricted subsidiaries that guarantee certain indebtedness under credit facilities (including the Syndicated Facilities) and certain capital markets indebtedness of the issuer or any guarantor (subject to certain exceptions).

The Indenture governing the Notes contains a number of customary covenants that, among other things, limit or restrict the ability of the issuer and its restricted subsidiaries, subject to certain exceptions, to:

- incur or guarantee additional indebtedness;
- incur certain liens
- pay dividends and make other distributions on, or redeem or repurchase, capital stock;
- enter into transactions with affiliates of the issuer and its restricted subsidiaries;
- enter into agreements that restrict the ability of the restricted subsidiaries to make dividends or other payments, or otherwise transfer assets, to the issuer or its restricted subsidiaries;
- designate restricted subsidiaries and unrestricted subsidiaries;
- merge or consolidate; and
- transfer or sell assets.

Certain of these covenants will not apply to the issuer and its restricted subsidiaries during any period in which the Notes are rated investment grade by two or more of Standard and Poor's Ratings Service, Fitch Ratings, Inc. or Moody's Investors Service, Inc.

The Indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include, among others, non-payment of principal or interest when due, breach of covenants or other agreements in the Indenture, defaults in payment of certain other indebtedness and certain events of bankruptcy or insolvency. Generally, if an event of default occurs, the trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare the principal of and unpaid interest on all of the Notes to be immediately due and payable.

The Notes bear interest at a rate of 3.875% per annum. Interest on the Notes is payable semi-annually in cash in arrears on 1 January and 1 July of each year. The Notes mature on 1 July 2025.

At any time prior to 1 July 2022, Synthomer may, at its option, redeem the Notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a make-whole premium, together with accrued and unpaid interest and additional amounts, if any, thereon to the redemption date. From and after 1 July 2022, Synthomer may, at its option, redeem the Notes, in whole or in part, at the applicable redemption prices set forth in the Notes, together with accrued and unpaid interest and additional amounts, if any, thereon to the redemption date. Prior to 1 July 2022, Synthomer may, at its option, redeem up to 40% of the aggregate principal amount of the Notes in an amount not to exceed the net cash proceeds from certain equity offerings at a redemption price of 103.875% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, thereon to the redemption date. On the occurrence of certain change of control events with respect to the issuer, Synthomer is required to make an offer to holders to purchase all or any part of the Notes at an offer price of 101% of their principal amount, plus accrued and unpaid interest and any additional amounts, if any, thereon to the purchase date. When the aggregate amount of net cash proceeds from asset sales not applied in accordance with the terms of the Indenture ("**Excess Proceeds**") exceeds the threshold set out therein, Synthomer is required to make an offer to holders to purchase the Notes at an offer price of 100% of their principal amount and may, at its option, offer to purchase certain indebtedness that is *pari passu* with the Notes at a price no greater than 100% of the principal amount (or accreted value, as applicable) of such indebtedness, in each case in an amount not to exceed the amount of the Excess Proceeds, plus accrued and unpaid interest, if any, thereon to the purchase date.

The Indenture and the Notes are governed by the laws of New York.

5.1.5 2019 Syndicated Facilities Agreement

On 3 July 2019, Synthomer as original borrower and original guarantor and Synthomer (UK) Limited, Synthomer Trading Limited and Synthomer Holdings Limited as original guarantors entered into the 2019 Syndicated Facilities Agreement with Barclays Bank PLC, Citi, HSBC and Santander as mandated lead arrangers and bookrunners, Barclays Bank PLC, Citibank, HSBC and Santander as original lenders and HSBC as agent. Under the 2019 Syndicated Facilities Agreement, a US$260 million term loan facility (the **"2019 Term Facility"**) and a €460 million multi-currency revolving credit facility (the **"2019 Revolving Facility"** or **"RCF"** and, together with the 2019 Term Facility, the **"Syndicated Facilities"**) are available for drawing by Synthomer as the original borrower. Each of the bookrunners named above will arrange for the Syndicated Facilities to be syndicated to a number of financial institutions.

The Syndicated Facilities are unsecured but are otherwise guaranteed by the guarantors listed above and other additional guarantors required to accede following Completion.

The Syndicated Facilities mature on 3 July 2024. The 2019 Term Facility is no longer available for drawing. The 2019 Revolving Facility is available for drawing in euros, US dollars, sterling and other currencies (subject to certain conditions) and is available for drawing from the date of the 2019 Syndicated Facilities Agreement until the date falling one month prior to its maturity date.

The 2019 Syndicated Facilities Agreement contains customary representations, undertakings, covenants, indemnities and events of default with appropriate carve-outs and materiality thresholds, where relevant. The financial covenant under the 2019 Syndicated Facilities Agreement is a leverage covenant, whereby the net borrowings of the Synthomer Group must not exceed 4.25 times the consolidated EBITDA of the Synthomer Group on the first and second **"Calculation Date"** (as defined in the 2019 Syndicated Facilities Agreement, being respectively 30 June and 31 December), 4.00 times the consolidated EBITDA of the Synthomer Group on the third and fourth Calculation Date, 3.50 times the consolidated EBITDA of the Synthomer Group on the fifth and sixth Calculation Date and 3.25 times the consolidated EBITDA of the Synthomer Group on each Calculation Date thereafter.

The Syndicated Facilities may be prepaid without premium or penalty but subject to breakage costs (if applicable). The amount available under the Syndicated Facilities is subject to reduction in accordance with the mandatory prepayment provisions set out therein (including where a change of control of Synthomer occurs or where it becomes unlawful for any lender to perform its obligations under the Syndicated Facilities).

The interest rate charged on loans made under the Syndicated Facilities will be equal to the aggregate of an appropriate benchmark rate and the applicable margin. The initial margin under the 2019 Term Facility is 2.10% per annum, with the margin ratcheting between 2.90% per annum and 0.90% per annum in accordance with the total leverage of the Synthomer Group. The initial margin under the 2019 Revolving Facility is 1.90% per annum, with the margin ratcheting between 2.70% per annum and 0.70% per annum in accordance with the total leverage of the Synthomer Group.

Certain fees are payable to the finance parties in connection with the Syndicated Facilities, including participation and arrangement fees, utilisation fees, an agency fee and an ongoing commitment fee. The 2019 Syndicated Facilities Agreement is governed by the laws of England and Wales.

5.2 Adhesive Technologies material contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which Adhesive Technologies, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by Adhesive Technologies which contains any provision under which Adhesive Technologies has any obligation or entitlement which is material to Adhesive Technologies as at the date of this document:

5.2.1 Purchase Agreement

Details of the Purchase Agreement are set out under Part V (*Summary of the Principal Terms and Conditions of the Purchase Agreement*) of this document.

6. Litigation

6.1 Synthomer litigation

Save as set out below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on the Company and/or the Synthomer Group's financial position or profitability.

6.1.1 European Commission investigation into the styrene monomer purchasing sector

As announced on 8 June 2018, the European Commission (the **"Commission"**) initiated an investigation into practices relating to the purchase of styrene monomer by companies, including the Company, operating in the European Economic Area. The Company has and will continue to fully cooperate with the Commission during its investigation. As the investigation is ongoing, the inherent uncertainties associated with it and the Commission does not provide feedback on its work until the investigation is complete, it is not possible to determine whether or not a liability exists in relation to this matter. Similarly, given the many variables in the Commission's fining framework and accordingly the range of possible outcomes, the Directors are not able to reliably estimate any potential possible liability at this time.

6.2 Adhesive Technologies litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on Adhesive Technologies' financial position or profitability.

7. Working capital

The Company is of the opinion that, taking into account the facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least twelve months following the date of publication of this document.

8. Significant change

Other than as set out below, there has been no significant change in the financial position or financial performance of the Synthomer Group since 30 June 2021, being the date to which the last interim financial information has been published.

The Company announced on 28 October 2021 that it had completed a Placing of 42,485,080 Placing Shares, representing approximately 10% of the Company's issued share capital, to institutional investors by way of an accelerated bookbuild. The Placing Shares were issued at a price of 485 pence per share raising net proceeds of approximately £203 million after fees and expenses. For further information on the Placing, please see paragraph 8.1 of Part I (*Chair's Letter*).

There has been no significant change in the financial position or financial performance of Adhesive Technologies since 31 December 2020, being the date to which the last audited financial information has been included in the Circular.

9. Related party transactions

Save as disclosed in the information incorporated by reference into this document referred to below, the Company entered into no transactions with related parties during the years ended 31 December 2020, 2019 and 2018.

- Note 30 of the notes to the audited consolidated financial statements for Synthomer for the year ended 31 December 2020 which can be found on page 163 of the Synthomer Annual Report 2020.
- Note 29 of the notes to the audited consolidated financial statements for Synthomer for the year ended 31 December 2019 which can be found on page 146 of the Synthomer Annual Report 2019.

- Note 33 of the notes to the audited consolidated financial statements for Synthomer for the year ended 31 December 2018 which can be found on page 141 of the Synthomer Annual Report 2018.

For the period from and including 1 January 2021 to the Latest Practicable Date, there were no related party transactions entered into by the Company other than (1) the subscription of Shares by KLK in the Placing as set out in paragraph 8.1 of Part I (*Chair's Letter*); and (2) the irrevocable undertakings which the Company has entered into with KLK and each of the Directors in connection with the Acquisition as set out in paragraph 9 of Part I (*Chair's Letter*).

10. Consents

PwC has given and not withdrawn its written consent to the inclusion of its report on:

- the combined financial information of Adhesive Technologies in Section B of Part III (*Combined Historical Financial Information of Adhesive Technologies*) of this document; and
- the Unaudited Pro Forma Financial Information in Section B of Part IV (*Unaudited Pro Forma Financial Information of the Enlarged Group*) of this document,

in the form and context in which they appear.

Barclays has given and has not withdrawn its written consent to the inclusion in this document to its name in the form and context in which they are included.

Numis has given and has not withdrawn its written consent to the inclusion in this document to its name in the form and context in which they are included.

11. Information incorporated by reference

The following documents, which have been filed with or notified to the FCA and are available for inspection in accordance with paragraph 12 of this Part VI (*Additional Information*) of this document, contain information about the Synthomer Group which is relevant to this document:

- Synthomer's interim financial information for the six months ended 30 June 2021;
- Synthomer's audited consolidated financial statements for the year ended 31 December 2020, together with an audit report in respect of that period and a discussion of Synthomer's financial performance;
- Synthomer's audited consolidated financial statements for the year ended 31 December 2019, together with an audit report in respect of that period and a discussion of Synthomer's financial performance; and
- Synthomer's audited consolidated financial statements for the year ended 31 December 2018, together with an audit report in respect of that period and a discussion of Synthomer's financial performance.

The table below sets out the sections of these documents which are incorporated by reference in, and form part of, this document, and only the parts of the documents identified in the table below are incorporated by reference in, and form part of, this document. The parts of the documents which are not incorporated by reference are either not relevant for the purposes of making a properly informed decision as to how to vote on the Resolutions or are covered elsewhere in this document. Where the information described below itself incorporates further information by reference to another document, that further information is not intended to form part of this document for any purpose.

Reference	Sections incorporated by reference	Page number(s)
Interim Results	Consolidated balance sheet as at 30 June 2021	18
Annual Report 2020	Note 30 of the notes to the audited consolidated financial statements for Synthomer for the year ended 31 December 2020	163

Reference	Sections incorporated by reference	Page number(s)
Annual Report 2019	Note 29 of the notes to the audited consolidated financial statements for Synthomer for the year ended 31 December 2019	146
Annual Report 2018	Note 33 of the notes to the audited consolidated financial statements for Synthomer for the year ended 31 December 2018	141

12. Documents available for inspection

Copies of the following documents will be available for inspection at the Company's offices at 45 Pall Mall, London, SW1Y 5JG during normal business hours on Monday to Friday each week (public holidays excepted) for the period from the date of this Circular up to the conclusion of the General Meeting:

- Memorandum of Association and the Articles of Association;
- the combined financial information relating to Adhesive Technologies in respect of the three years ended 31 December 2020, 2019 and 2018;
- the report of PwC on the combined financial information of Adhesive Technologies in Section B of Part III (*Combined Historical Financial Information of Adhesive Technologies*) of this document;
- the report of PwC on the Unaudited Pro Forma Financial Information set out in Section B of Part IV (*Unaudited Pro Forma Financial Information of the Enlarged Group*) of this document;
- the Synthomer Annual Report 2020, Synthomer Annual Report 2019 and Synthomer Annual Report 2018;
- the Purchase Agreement; and
- this document.

The above documents (other than the Purchase Agreement) are also available on the Company's website at www.synthomer.com for the period from the date of the Circular up to the conclusion of the General Meeting.

This document is dated 30 November 2021.

PART VII

DEFINITIONS

The following definitions shall apply throughout this document unless the context requires otherwise:

"Acquisition"	the acquisition by the Group of Adhesive Technologies pursuant to the Purchase Agreement
"Acquisition Announcement"	the announcement of the Acquisition released on 28 October 2021
"Adhesive Technologies"	the Adhesive resins business of Eastman Chemical Company to be acquired under the Purchase Agreement as described in paragraph 5 of Part I (*Chair's Letter*)
"Admission"	the admission of the Placing Shares to the Main Market
"Annual General Meeting"	a general meeting of the holders of the Shares
"Annual Report 2020"	the Company's annual report and accounts in respect of the year ended 31 December 2020
"Annual Report 2019"	the Company's annual report and accounts in respect of the year ended 31 December 2019
"Annual Report 2018"	the Company's annual report and accounts in respect of the year ended 31 December 2018
"Articles of Association" or **"Articles"**	the articles of association of the Company
"Banks"	Barclays and Numis
"Barclays"	Barclays Bank PLC, acting through its Investment Bank
"Board"	the board of Directors of the Company
"Business Day"	any day other than a Saturday or Sunday or a day on which all banking institutions in New York or London are authorised or required by applicable law or other governmental action to close
"Chair"	the Chair of Synthomer, Caroline Johnstone
"Commission"	the European Commission
"Companies Act"	UK Companies Act 2006, as amended, and the regulations made thereunder
"Company" or **"Synthomer"**	Synthomer plc, a company registered in England and Wales with registered number 00098381
"Company Recommendation Change"	where the Board changes its recommendation to Shareholders to approve the Acquisition
"Completion"	Completion of the Acquisition
"Completion Date"	the date upon which Completion occurs
"Conditions"	the conditions to the implementation of the Acquisition which are set out in the Purchase Agreement
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear is the operator
"Directors"	the directors of the Company whose names appear in paragraph 3.1 of Part VI (*Additional Information*) of this document

"Disclosure Guidance and Transparency Rules"	the disclosure guidance and transparency rules made by the FCA under Part 6 of the FSMA
"Eastman"	Eastman Chemical Company, a company registered in the State of Delaware with file number 2345566
"Eastman Group"	Eastman and its affiliates
"EBITDA"	operating profit before depreciation, amortisation and Special Items in relation to Synthomer
"Effective Time"	the execution date and effective time of completion of the Purchase Agreement
"EPS"	earnings per share
"Enlarged Group"	the Synthomer Group and Adhesive Technologies after the Acquisition has taken effect
"EU"	the European Union
"Euroclear"	Euroclear UK & International Limited, the operator of CREST
"Executive Directors"	Michael Willome and Stephen Bennett
"FCA"	the Financial Conduct Authority
"Form of proxy"	the personalised form of proxy accompanying this document for use by the Shareholders in connection with the General Meeting
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"General Meeting"	the general meeting of the holders of Shares to, among other matters, approve the Acquisition scheduled to take place at 12:00 pm on 17 December 2021
"HSR Act"	the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and the rules and regulations promulgated thereunder
"IFRS"	International Financial Reporting Standards as adopted by the EU
"Interim Results"	the Company's interim results in respect of the six months ended 30 June 2021
"KLK"	Kuala Lumpur Kepong Berhad
"Latest Practicable Date"	29 November 2021, being the latest practicable date prior to publication of this document
"Listing Rules"	the listing rules made by the FCA pursuant to Part 6 of the FSMA
"London Stock Exchange"	London Stock Exchange plc
"LTM"	the last twelve months
"Nominated Person"	any person to whom the Notice of General Meeting is sent
"Non-Executive Directors"	Caroline Johnstone, The Hon. Alexander Catto, Brendan Connolly, Dato' Lee Hau Hian, Roberto Gualdoni, Holly A. Van Deursen and Cynthia Dubin
"Notice of General Meeting"	the notice of the General Meeting of the Company in this document
"Numis"	Numis Securities Limited
"Official List"	the Official List of the FCA
"Placing"	the placing of 42,485,080 new ordinary shares of 10p each in the share capital of the Company

“Placing Announcement”	the results of placing announcement released on 28 October 2021
“Pound sterling” or **“£”**	the lawful currency of the United Kingdom
“PRA”	the Prudential Regulation Authority
“Purchase Agreement”	a purchase agreement entered into by the Company on 28 October 2021 with Eastman and certain of its affiliates for the Company to purchase (1) Eastman Chemical Middelburg B.V., (2) a newly-formed subsidiary of Eastman Chemical Resins, Inc. which will hold certain US assets relating to the business of Adhesive Technologies, (3) a newly-formed subsidiary of Eastman which will hold certain assets in Mexico and (4) a newly-formed subsidiary of Eastman Chemical Ltd. and Eastman Chemical Adhesives (Hong Kong) which will hold one half of the outstanding and issued equity interests in Nanjing Yangzi Eastman Chemical Ltd. and (5) certain specified assets of Eastman and its affiliates related to or used in connection with the business of Adhesive Technologies
“PwC”	PricewaterhouseCoopers LLP
“RCF”	the Synthomer Group's revolving credit facility as described in paragraph 5.1.5 of Part VI (*Additional Information*) of this document
“Registrar”	Computershare Investor Services PLC
“Resolutions”	the resolutions to approve the Acquisition and increase the borrowing limit of the Company, to be proposed at the General Meeting, the full text of which is set out in the Notice of General Meeting
“Securities Act”	US Securities Act of 1933 as amended and the rules and regulations promulgated thereunder
“Sellers”	The sellers of the various assets and entities comprising Adhesive Technologies described in paragraph 1 of Part V (*Summary of Principal Terms and Conditions of the Purchase Agreement*)
“Shareholders”	the holders of Shares
“Shares”	the ordinary shares with a nominal value of 10p each in the share capital of the Company
“Sponsor”	Barclays
“Synthomer Group” or **“Group”**	Synthomer and its subsidiary undertakings (as defined in the Companies Act), from time to time, but excluding Adhesive Technologies
“Term Facility”	a US$300 million term loan facility under the Term Loan Facility Agreement
“Term Loan Facility Agreement”	a term loan facility agreement entered into on 28 October 2021 between Synthomer, Synthomer (UK) Limited, Synthomer Trading Limited, Synthomer Holdings Limited, Barclays Bank PLC, Citi, HSBC and Santander
“Unaudited Pro Forma Financial Information”	the unaudited pro forma financial information in respect of the Enlarged Group prepared to illustrate the effect of the Acquisition, the Placing and the Term Facility on the Synthomer Group
“United Kingdom” or **“UK”**	the United Kingdom of Great Britain and Northern Ireland
“United States” or **“US”**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

PART VIII

NOTICE OF GENERAL MEETING

(Incorporated and registered in England and Wales with company number 00098381)

Registered Office:
Temple Fields
Harlow
Essex
CM20 2BH
Tel: +44 (0) 1279 436211
www.Synthomer.com

NOTICE IS HEREBY GIVEN THAT A GENERAL MEETING of Synthomer plc (the **"Company"**) will be held at 12:00 pm on 17 December 2021 at the Company's offices at 45 Pall Mall, London, SW1Y 5JG, United Kingdom to consider and, if thought fit, to pass the following resolutions (the **"Resolutions"**) as ordinary resolutions:

Resolution 1—Approval of the Acquisition

THAT

subject to and conditional upon the passing of Resolution 2, the proposed acquisition by the Synthomer Group of Adhesive Technologies, with the effect that Adhesive Technologies becomes wholly owned subsidiaries of the Company (the **"Acquisition"**), substantially in the manner and on the terms and subject to the conditions of the Purchase Agreement (as defined in, and particulars of which are summarised in the circular of the Company, dated 30 November 2021 (the **"Circular"**), of which this notice convening the General Meeting (the **"Notice"**) forms part), together with all other agreements and ancillary arrangements contemplated by the Purchase Agreement, be and are hereby approved and that the directors of the Company (or any duly authorised committee thereof) be and are hereby authorised to make any such non-material amendments, variations, waivers or extensions to the terms of the Acquisition or the Purchase Agreement which they in their absolute discretion consider necessary, appropriate or desirable and to take all such steps and to do all such things which they consider necessary, appropriate or desirable to implement, or in connection with, the Acquisition, including, without limitation, the waiver of any conditions to Purchase Agreement.

Resolution 2—Approval of increased borrowing power under the Articles of Association

THAT

the increase in the borrowing limit set out in Article 93.2 of the Articles of Association (and further increased by ordinary resolution dated 31 July 2019) from £1,500,000,000 to £2,000,000,000 be and is hereby approved.

By Order of the Board

Richard Atkinson

Company Secretary
30 November 2021

Temple Fields
Harlow
Essex
CM20 2BH
United Kingdom

Registered in England and Wales No. 00098381

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid any Form of Proxy or other instrument appointing a proxy must be received by the Registrar by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or at the electronic address provided in the Form of Proxy, in each case no later than 48 hours before the time appointed for holding the meeting or any adjourned meeting.
3. The return of a completed Form of Proxy, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act to enjoy information rights (a **"Nominated Person"**) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. To be entitled to attend and vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 6:00 pm on 15 December 2021 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. The Company's capital consists of 467,336,041 ordinary shares with voting rights.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **"CREST Proxy Instruction"**) must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for the receipt of proxy appointments specified in Note 2. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service

provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

13. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

14. A copy of this notice, and any other information required by Section 311A of the Companies Act, can be found at www.synthomer.com.

APPENDIX 1

PROFIT FORECAST

1. PROFIT FORECAST

The RNS announcement of the Company on 28 October 2021 contained the following statement, which is repeated in paragraph 12.1 of Part I (*Chair's Letter*) of this Circular:

"Since Synthomer's reported Interim Results on 5th August 2021, underlying demand has remained strong and in line with management expectations

- *The Movement Control Order in Malaysia was implemented to restrict the impact of COVID-19, leading to reduced customer utilisation and demand.*
- *Action to offset raw material inflation coupled with the continued benefits from OMNOVA, investment in new capacity and ongoing efficiency measures has underpinned performance.*
- *Consequently, Synthomer's outlook for the full year remains unchanged with FY 2021 EBITDA expected to be in excess of £500m."*

The above statement constitutes a profit forecast for the purposes of the Listing Rules. The profit forecast relates to the year ending 31 December 2021 and relates to EBITDA. The profit forecast has been properly compiled on the basis of the assumptions set out below and the basis of accounting is consistent with the accounting policies adopted by the Company in preparing its audited consolidated financial statements for the year ended 31 December 2020.

The Directors have considered and confirm that the profit forecast remains correct at the date of this document.

The profit forecast does not take into account any impact of the Acquisition.

2. BASIS OF PREPARATION

EBITDA is defined as the Synthomer Group's operating profit before depreciation, amortisation and Special Items. Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Synthomer Group's financial statements are in compliance with IFRS but do not reflect the operating performance of a segment in the year, or both.

EBITDA is a "non-GAAP" measure and therefore may not be directly comparable with similarly titled measures used by other companies.

The Directors have prepared the profit forecast based on the unaudited published results for the six months ended 30 June 2021, the unaudited management accounts for the four months ended 31 October 2021 and a forecast of the results for the year ended 31 December 2021.

3. ASSUMPTIONS

The profit forecast has been compiled on the basis of the following assumptions each of which could materially change the outcome of the profit forecast:

Factors outside the influence or control of the Directors:

- There will be no material change in the economic or political environment that would materially affect the Synthomer Group during the two-month forecast period to 31 December 2021.
- There will be no material changes in market conditions over the two-month forecast period to 31 December 2021 in relation to either customer demand or competitive environment.
- There will be no material changes in foreign currency exchange rates from the rates used to forecast the two-month forecast period to 31 December 2021, being US$1.37 to £1.00 and €1.17 to £1.00.
- There will be no significant event or adverse publicity that would materially damage the reputation of the Synthomer Group and have a material impact on the results.

- There will be no material impact on the Synthomer Group of litigation or any product liability claims.
- There will be no material changes in legislation or regulatory requirements impacting on the Synthomer Group's operations or its accounting policies.
- There will be no material change in the control of the Synthomer Group.
- There will be no significant disruption to operations caused by the ongoing COVID-19 pandemic.
- There will be no other business disruptions that materially affect the Synthomer Group, its customers or operations, including industrial disputes, natural disasters and acts of terrorism.

Factors within the influence or control of the Directors:

- There will be no material acquisitions or disposals by the Synthomer Group that complete during the two-month forecast period to 31 December 2021.
- There will be no material change in the operational strategy or current management of Synthomer during the two-month forecast period to 31 December 2021.

Toppan Merrill, London
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