OFFERING MEMORANDUM **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

Kinove German Bondco GmbH
€355,000,000 10.000% Senior Secured Notes due 2018
$350,000,000 9.625% Senior Secured Notes due 2018

Kinove German Bondco GmbH (the *"Issuer"*) is offering (the *"Offering"*) €355.0 million aggregate principal amount of its 10.000% Senior Secured Notes due 2018 (the *"Euro Notes"*) and $350.0 million aggregate principal amount of its 9.625% Senior Secured Notes due 2018 (the *''Dollar Notes''* and, together with the Euro Notes, the *''Notes''*), as part of the financing for the proposed acquisition (the *"Acquisition"*) of the carbon black business line (*"Evonik Carbon Black"*) of Evonik Industries AG (*"Evonik"*). The Issuer will pay interest on the Notes semi-annually on each June 15 and December 15, commencing December 15, 2011. The Notes will mature on June 15, 2018.

The Issuer may redeem all or a portion of the Notes at any time prior to June 15, 2014, at a redemption price equal to 100% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, plus a *"make-whole"* premium, as described in this offering memorandum. At any time prior to June 15, 2014, the Issuer may, during each twelve-month period commencing with the issue date, redeem up to 10% of the original aggregate principal amount of each series of the Notes at a redemption price equal to 103% of the principal amount of the relevant series of Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. The Issuer may redeem all or a portion of the Notes at any time on or after June 15, 2014, at the redemption prices set forth in this offering memorandum. In addition, at any time prior to June 15, 2014, the Issuer may redeem up to 35% of the aggregate principal amount of each series of the Notes using the net proceeds from certain equity offerings at the redemption prices set forth in this offering memorandum. The Issuer may also redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a change of control or upon the occurrence of certain asset sales, the Issuer may be required to make an offer to repurchase the Notes.

Pending consummation of the Primary Acquisition (as defined herein), the Initial Purchasers (as defined herein) will deposit the gross proceeds of the Offering into segregated escrow accounts. The escrow accounts will be controlled by, and pledged on a first-ranking basis in favor of, the Trustee (as defined herein) for the benefit of the holders of the Notes. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the closing of the Primary Acquisition (the date of such closing, the *"Completion Date"*). If the Completion Date does not occur on or prior to September 30, 2011 (such date, the *"Escrow Longstop Date"*), or, upon the occurrence of certain events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be equal to 100% of the aggregate issue price of the relevant series of the Notes plus accrued and unpaid interest and additional amounts, if any, from the issue date to the date of special mandatory redemption. See *"Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption"*.

The Notes will be senior obligations of the Issuer and will rank equal in right of payment with all other existing and future senior debt of the Issuer. On the issue date, the Notes will be guaranteed (the *"Initial Note Guarantees"*) on a senior basis by Kinove Luxembourg Holdings 2 S.à r.l. (*"Luxco2"*), Kinove German Holdings GmbH (*"German Holdco"*) and Kinove German Bidco GmbH (*"German Bidco"* and, together with Luxco2 and German Holdco, the *"Initial Guarantors"*). Following the release of the escrow proceeds to the Issuer on the Completion Date, the Notes will also be guaranteed (the *"Completion Note Guarantees"*) on a senior basis by certain of German Holdco's subsidiaries (the *"Completion Guarantors"*). The Notes will also be guaranteed (the *"Post-Completion Note Guarantees"* and, together with the Initial Note Guarantees and the Completion Note Guarantees, the *"Note Guarantees"*) by certain of the Evonik Carbon Black entities (the *"Post-Completion Guarantors"* and, together with the Initial Guarantors and the Completion Guarantors, the *"Guarantors"*) that guarantee the Revolving Credit Facility (as defined herein), no later than the earlier of (i) the date on which the relevant Post-Completion Guarantor grants a guarantee in respect of the Revolving Credit Facility and (ii) 45 days following the Completion Date.

The Notes and the Note Guarantees will be secured by first-ranking liens over substantially all of the property and assets of the Issuer and the Guarantors that secure the Revolving Credit Facility (the *"Collateral"*), *provided*, *however*, that under the terms of the Intercreditor Agreement (as defined herein), the proceeds from any enforcement of the Collateral will be required to be applied to repay indebtedness outstanding under the Revolving Credit Facility and certain hedging obligations in priority to the Notes. See *"Summary—The Offering—Security"*.

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Irish Stock Exchange and to admit the Notes to trading on the Global Exchange Market thereof. This offering memorandum constitutes listing particulars for such application. There is no assurance, however, that this application will be accepted.

Investing in the Notes involves a high degree of risk. Please see "Risk Factors" beginning on page 24.

Price for the Euro Notes: 100% plus accrued interest, if any, from June 22, 2011
Price for the Dollar Notes: 100% plus accrued interest, if any, from June 22, 2011

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the *"Securities Act"*), or with any securities regulatory authority of any state or other jurisdiction in the United States, or in any other jurisdiction, and are being offered and sold within the United States only to "qualified institutional buyers" (*"QIBs"*) as defined in, and in reliance on the exemption from the registration requirements of the Securities Act provided by, Rule 144A under the Securities Act (*"Rule 144A"*), and outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act (*"Regulation S"*). Prospective purchasers that are QIBs are hereby notified that the sellers of the Notes may be relying on the exemption from Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes and the Note Guarantees, see *"Transfer Restrictions"*.

The Euro Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Dollar Notes will be issued in registered form in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof. The Notes will be represented by global notes, which will be delivered through the facilities of The Depository Trust Company (*"DTC"*), Euroclear Bank S.A./N.V. (*"Euroclear"*) and Clearstream Banking, *société anonyme*, Luxembourg (*"Clearstream"*) and their participants, on or about June 22, 2011.

Joint Global Coordinators and Joint Physical Bookrunners — *Bookrunner*

Goldman Sachs International **UBS Investment Bank** **Barclays Capital**

Co-Managers

Commerzbank **Lloyds Bank Corporate Markets** **Mediobanca**

The date of this offering memorandum is June 24, 2011

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IMPORTANT INFORMATION

IMPORTANT: You must read the following before continuing. The following applies to this offering memorandum. You are therefore advised to read this carefully before reading, accessing or making any other use of this offering memorandum. In accessing this offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information. Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes (including the Note Guarantees).

This offering memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful.

THE NOTES AND THE NOTE GUARANTEES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES, OR IN ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES AND THE NOTE GUARANTEES WILL NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT UNDER RULE 144A. THE NOTES AND THE NOTE GUARANTEES WILL BE OFFERED OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S. PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT SELLERS OF THE COMPANY'S SHARES MAY BE RELYING ON THE EXEMPTIONS FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT. SEE *"PLAN OF DISTRIBUTION"* FOR FURTHER INFORMATION REGARDING APPLICABLE SELLING RESTRICTIONS.

This offering memorandum is being provided to QIBs in the United States and to certain prospective investors outside the United States for use solely to enable a prospective investor to consider purchasing the securities described herein. Its use for any other purpose is not authorized. The information contained in this offering memorandum has been provided by the sources identified herein. This offering memorandum may not be copied or reproduced in whole or in part, nor may it be distributed or any of its contents be disclosed to any person other than the prospective investors to whom it is being provided, their representatives, and those persons, if any, retained to advise such prospective investors with respect thereto. Any disclosure of its contents, without prior written consent of the Issuer, is prohibited. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire any Notes (including the Note Guarantees).

Notwithstanding the preceding paragraph, you may disclose to any and all persons, without limitation of any kind, the U.S. federal, state or local tax treatment of the transactions contemplated by this offering memorandum and all materials of any kind (including opinions or other tax analysis) that are provided to you relating to such U.S. federal, state or local tax treatment or U.S. federal tax structure, except that, prior to the closing of the Offering, prospective investors may not disclose the name of the Issuer or any other identifying information in relation to the Issuer, other than to their tax advisers or to a regulatory authority as required by law. By accepting this offering memorandum, you agree to the foregoing.

No action has been taken by the Initial Purchasers (as set forth in the table under *"Plan of Distribution"*), the Issuer or any other person that would permit an offering of the Notes or the circulation or distribution of this offering memorandum or any offering material in relation to the Issuer, its affiliates or the Notes in any country or jurisdiction where action for that purpose is required.

The laws of certain jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the Notes. Persons into whose possession this offering memorandum or any of the Notes come must inform themselves about, and observe, any such restrictions. None of the Issuer, the

Initial Purchasers or their respective representatives is making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or any purchaser under applicable legal investment or similar laws or regulations. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this offering memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this offering memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this offering memorandum and the Offering and sale of the Notes. In particular, there are restrictions on the distribution of this offering memorandum and the offer or sale of the Notes in the United States and the European Economic Area, including the United Kingdom.

For a further description of certain restrictions on the Offering and sale of the Notes and the distribution of this offering memorandum, see *"Plan of Distribution"* and *"Transfer Restrictions"*.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this offering memorandum, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, any of its affiliates or the Initial Purchasers. Neither the delivery of this offering memorandum nor any sale made under it will, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time subsequent to that date.

By receiving this offering memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. See *"Available Information"*.

Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision on whether to invest in the Notes. The contents of this offering memorandum are not to be considered as legal, business or tax advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

In making an investment decision, investors must rely on their own examination of the Issuer, its affiliates, the terms of the Offering of the Notes and the merits and risks involved. The Offering is being made in reliance on exemptions from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. By purchasing the Notes, investors are deemed to have made the acknowledgments, representations, warranties and agreements set forth under *"Transfer Restrictions"*.

The Initial Purchasers reserve the right to withdraw the Offering of Notes at any time and to reject any commitment to purchase the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of Notes sought by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

The Notes will be available in book-entry form only. We expect that the Notes will be issued in the form of two or more global notes. The global notes sold in reliance on Regulation S will be represented by one or more global notes in registered form (the *"Regulation S Global Notes"*). The Regulation S Global Notes representing the Euro Notes (the *"Euro Regulation S Global Notes"*) will be deposited, on the issue date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary. The Regulation S Global Notes representing the Dollar Notes (the *"Dollar Regulation S Global Notes"*) will be deposited, on the issue date, with, or on behalf of, a custodian for DTC and registered in the name of DTC or its nominee. The global notes sold in reliance on Rule 144A will be represented by one or more global notes in registered form without interest coupons attached (the *"Rule 144A Global Notes"* and, together with the Regulation S Global Notes, the *"Global Notes"*). The Rule 144A Global Notes representing the Euro Notes (the *"Euro Rule 144A Global Notes"* and, together with the Euro Regulation S Global Notes, the *"Euro Global Notes"*) will be deposited, on the issue date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary. The Rule 144A Global Notes representing the Dollar Notes (the *"Dollar Rule*

144A Global Notes'' and, together with the Dollar Regulation S Global Notes, the *''Dollar Global Notes''*) will be deposited, on the issue date, with a custodian for DTC and registered in the name of DTC or its nominee. Ownership of interests in the Rule 144A Global Notes (the *"Rule 144A Book-Entry Interests"*) and ownership of interests in the Regulation S Global Notes (the *"Regulation S Book-Entry Interests"*, and, together with the Rule 144A Book-Entry Interests, the *"Book-Entry Interests"*) will be shown on, and transfers of Book-Entry Interests will be effected only through, records maintained by DTC, Euroclear and Clearstream and their direct and indirect participants. After the initial issue of the Global Notes, Notes in certificated form will be issued in exchange for the Global Notes only as set out in the indenture governing the Notes (the *"Indenture"*). See *"Book-Entry, Delivery and Form"*.

The information set out in the sections of this offering memorandum describing clearing and settlement arrangements is subject to any change or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream as currently in effect. The information in such sections concerning these clearing and settlement arrangements has been obtained from sources that the Issuer believes to be reliable. This information has been accurately reproduced and as far as the Issuer is aware, and is able to ascertain from published information, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer accepts responsibility only for the correct extraction and reproduction of such information, but not for the accuracy of such information. If you wish to use the facilities of any clearing system you should confirm the applicability of the rules, regulations and procedures of the relevant clearing system. The Issuer will not be responsible or liable for any aspect of the records relating to, or payments made on account of, Book-Entry Interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records, relating to such Book-Entry Interests.

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute this offering memorandum. Investors must also obtain any consent, approval or permission required for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject or in which investors make a purchase, offer or sale. None of the Issuer, its affiliates or the Initial Purchasers will have responsibility therefor.

The Issuer accepts responsibility for the information contained in this offering memorandum. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to materially affect the import of such information.

You acknowledge and agree that the Initial Purchasers and Evonik make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or Evonik. This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us.

STABILIZATION

IN CONNECTION WITH THIS ISSUE, GOLDMAN SACHS INTERNATIONAL, AS STABILIZING MANAGER, OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER, MAY OVER-ALLOT THE NOTES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES ALLOTTED DOES NOT EXCEED 105% OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE, OR NO LATER THAN 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES, WHICHEVER IS THE EARLIER.

NOTICE TO INVESTORS

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Neither the Securities and Exchange Commission nor any state securities commission or any federal or state regulatory authority has recommended the Notes and the Note Guarantees. Furthermore, the foregoing authorities have not passed upon the merits of the Offering or confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense under the laws of the United States.

The Notes (including the Note Guarantees) are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled *"Plan of Distribution"* and *"Transfer Restrictions"*.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (*"RSA"*) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CERTAIN EUROPEAN INVESTORS

United Kingdom

This offering memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the *"Financial Promotion Order"*), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the *"FSMA"*)) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as *"relevant persons"*). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Each Initial Purchaser has represented and warranted that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 *"FSMA"*) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with regard to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

France

This offering memorandum has not been prepared in the context of a public offering in France within the meaning of Article L.411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Réglement Général* of the *Autorité des Marchés Financiers* (the *"AMF"*) and therefore has not been approved by, registered or filed with the AMF. Consequently, the Notes are not being offered, directly or indirectly, to the public in France and this offering memorandum or any other offering material have not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sale of the Notes to the public in France.

The Notes may only be offered or sold in France to qualified investors (*investisseurs qualifiés*) or to a limited group of investors (*cercle restreint d'investisseurs*), investing for their own account, as defined in and in accordance with articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code Monétaire et Financier*.

The Notes may be resold to the public only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code Monétaire et Financier*.

Germany

The Offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the *"German Securities Prospectus Act"*, *Wertpapierprospektgesetz* or *WpPG*) and any other applicable German law. Consequently, in Germany the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not filed, and does not intend to file, a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (*"BaFin"*) and has not obtained, and does not intend to obtain, a notification to BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17, Paragraph 3 of the German Securities Prospectus Act.

The Netherlands

The Offering of the Notes is not a public offering in the Netherlands. The Notes may be offered, sold or resold in the Netherlands only in accordance with the provisions of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*) (as amended, restated or supplemented from time to time) and other applicable Dutch law. This offering memorandum has not been approved by, registered or filed with the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).

Spain

The Notes may not be offered or sold in Spain except in accordance with the requirements of the Spanish Securities Market Law (*Ley 24/1988, de 28 de Julio del Mercado de Valores*), as amended and restated, and Royal Decree 291/1992 on Issues and Public Offering of Securities (*Real Decreto 291/1992 de 27 de Marzo, sobre Emisiones y Ofertas Públicas de Venta de Valores*), as amended and restated (*"R.D. 291/92"*), and subsequent legislation.

This offering memorandum is neither verified nor registered in the administrative registries of the *Comisión Nacional del Mercado de Valores*, and therefore a public offer for subscription of the Notes will not be carried out in Spain. Notwithstanding that and in accordance with Article 7 of R.D. 291/92, a private placement of the Notes addressed exclusively to institutional investors (as defined in Article 7.1(a) of R.D. 291/92) may be carried out in accordance with the requirements of R.D. 291/92.

Italy

The Offering of the Notes has not been cleared by the *Commissione Nazionale per la Società e la Borsa* (*"CONSOB*") (the Italian Securities Exchange Commission) pursuant to Italian securities legislation, and accordingly, the Notes may not be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed, in the Republic of Italy, except:

(i) to *"qualified investors"* pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as subsequently amended (the *"Italian Finance Act"*), as implemented by Article 34-ter of CONSOB Regulation No. 11971 of May 14, 1999, as subsequently amended (the *"Regulation on Issuers"*); or

(ii) in circumstances which are exempted from the rules on public offers pursuant to the Italian Finance Act and its implementing CONSOB regulations, including the Regulation on Issuers.

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

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of September 1, 1993, the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007, as subsequently amended, and any other applicable laws and regulations; and

(ii) in compliance with any applicable Italian laws and regulations and any other condition or limitation that may be imposed by CONSOB, the Bank of Italy and any relevant Italian authorities.

AVAILABLE INFORMATION

The Issuer is not subject to informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the *"Exchange Act"*). The Issuer has agreed that it will make available, upon request, to any holder or prospective purchaser of the Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act during any period in which it is not subject to Section 13 or 15(d) of the Exchange Act, nor exempt by virtue of Rule 12g3-2(b) thereunder. Any such requests should be directed to Kinove German Bondco GmbH, c/o Blitzstart Holding AG, Bavariaring 29, 80336 Munich, Germany.

CERTAIN DEFINITIONS

"Evonik Carbon Black", *"Group"*, *"Company"*, *"we"*, *"us"*, or *"our"* refers to the carbon black business line of Evonik on a combined basis, unless the context requires otherwise. In particular, *"we"*, *"us"*, or *"our"* is sometimes used to refer to the Issuer and its subsidiaries, including Evonik Carbon Black, as a whole as if the Acquisition had already been completed.

In this offering memorandum, references to *"Euro"* and *"€"* are to the single currency adopted by participating member states of the European Union relating to Economic and Monetary Union, and references to *"$"* and *"U.S. Dollars"* are to the lawful currency of the United States of America.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Issuer was formed for purposes of facilitating the Acquisition and the Financing, including the issuance of the Notes. The Issuer has no material assets or liabilities and it has not engaged in any activities other than those related to its formation in preparation for the Acquisition and the Financing, including the issuance of the Notes. The Issuer is a holding company that from the Completion Date is expected to indirectly hold all the outstanding shares of the legal entities comprising Evonik Carbon Black, subject to certain exceptions as described below. The historical financial information included in this offering memorandum relates to Evonik Carbon Black and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (*"IFRS"*).

As used in this offering memorandum, the year ended December 31, 2008 is referred to as *"Fiscal Year 2008"*, the year ended December 31, 2009 is referred to as *"Fiscal Year 2009"* and the year ended December 31, 2010 is referred to as *"Fiscal Year 2010"*. The three months ended March 31, 2010 are referred to as *"First Quarter 2010"* and the three months ended March 31, 2011 are referred to as *"First Quarter 2011"*. The twelve months ended March 31, 2011 are referred to as *"Last Twelve Months"*.

The historical financial information included in this offering memorandum, including the financial information discussed in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"*, has been derived, without material adjustment, from our audited combined financial statements for each of Fiscal Year 2008, 2009 and 2010, and our unaudited condensed interim combined financial statements for each of First Quarter 2010 and 2011, included elsewhere in this offering memorandum. Various numbers and percentages set out in this offering memorandum have been rounded and accordingly may not total exactly. Certain data in this offering memorandum have been presented for the Last Twelve Months. These data have been derived by adding the relevant figures for Fiscal Year 2010 to the relevant figures for First Quarter 2011 and subtracting the relevant figures for First Quarter 2010.

Carve-out Approach

The historical financial information included in this offering memorandum relates to Evonik Carbon Black. Evonik Carbon Black has historically operated as a business line of Evonik and reported its results as part of Evonik's business unit "Inorganic Materials". The combined financial statements of Evonik Carbon Black have been prepared on a "carve-out" basis from Evonik's consolidated financial statements using the historical financial information attributable to Evonik Carbon Black and include allocations of income, expenses, assets, liabilities and cash flows from Evonik.

As of December 31, 2010, Evonik Carbon Black consisted of 13 legal entities. Until June 30, 2010, however, Evonik Carbon Black was principally conducted by ten legal entities solely operating in the carbon black business line of Evonik and by three legal entities that also operated in other business lines of Evonik (the *"Carve-out Entities"*). For the entities that solely conducted activities related to the carbon black business, historical financial information directly attributable to Evonik Carbon Black was readily available in the form of reporting packages used as part of the preparation of Evonik's consolidated financial statements. For the three Carve-out Entities, historical financial information attributable to Evonik Carbon Black was not readily available, but has been specifically identified and allocated on the basis of the historical financial information related to these entities used for the preparation of Evonik's consolidated financial statements. The approach for the necessary carve-out and allocation procedures is set forth in the notes to our combined financial statements, included elsewhere in this offering memorandum.

Evonik Carbon Black has historically been managed as a single economic entity and does not have significant recurring inter-businesses relationships, interdependencies and common facilities with other Evonik businesses, other than financing, hedging, the utilization of Evonik's sales functions and certain corporate services. The combined financial statements of Evonik Carbon Black include only financial information directly attributable to Evonik Carbon Black and do not include financial information of Evonik entities that are not related to Evonik Carbon Black, including entities of Evonik's worldwide sales network. Although these entities also operate as distributors and agents for Evonik

Carbon Black, Evonik Carbon Black does not control or manage these entities. In addition, certain holding entities without significant operations have not been included in the combined financial statements, as these entities were only of minor importance and did not account for any operating activities of Evonik Carbon Black.

Evonik Carbon Black has historically participated in Evonik's cash management and financing system, including cash-pooling arrangements and inter-company loan agreements. Apart from these arrangements, no parent level debt at Evonik has been allocated to the combined financial statements of Evonik Carbon Black. Under the carve-out rules, the difference between assets and liabilities, as allocated to Evonik Carbon Black, is presented as *"Invested Equity"*. The resulting capital structure presented for Evonik Carbon Black in the combined financial statements is therefore not indicative of the capital structure of Evonik Carbon Black if it had been a stand-alone entity during the periods presented.

For the preparation of the combined financial statements it was necessary to make assumptions and estimates for carve-out adjustments as set forth in the notes to our combined financial statements, included elsewhere in this offering memorandum. Accordingly, the combined financial statements do not necessarily reflect the financial position and performance that would have been presented if Evonik Carbon Black had already existed as an independent company during the periods presented and if the transactions between Evonik Carbon Black and other Evonik group companies had been carried out between independent companies. As a result, the combined financial statements are not necessarily indicative of the future development of the business.

The Acquisition

The combined financial statements of Evonik Carbon Black present the financial position and performance of Evonik Carbon Black as it has existed under Evonik's ownership, which differs from the business as it will be operated after the completion of the Acquisition in various respects, including as follows:

- the combined financial statements of Evonik Carbon Black include the financial information of Evonik Carbon Black Netherland B.V. (*"ECB Netherlands"*), the Dutch legal entity that has operated the Botlek (the Netherlands) plant. ECB Netherlands will not be part of the Acquisition. The Botlek (the Netherlands) plant was closed in September 2010 and production and sales volumes have been shifted to Evonik Carbon Black's other European carbon black plants. ECB Netherlands contributed a negative EBITDA (before intercompany reimbursements) of €8.4 million in the Last Twelve Months;
- the combined financial statements of Evonik Carbon Black include the financial information of Evonik Degussa Carbons Inc. (*"ECB Holding United States"*), the U.S. entity that has acted as intermediate holding company of our operating entity in the United States. ECB Holding United States will not be part of the Acquisition. ECB Holding United States accounted for €39,800 of our total EBITDA in the Last Twelve Months;
- the combined financial statements of Evonik Carbon Black include the financial information of Algorax (Pty.) Limited, Evonik Carbon Black's South African joint venture (the *"South African JV")*. The acquisition of the South African JV is subject to obtaining consent from the other joint venture partner and regulatory approval. If such consent and regulatory approval are not obtained by the Completion Date or an agreed-upon later date, the acquisition of the South African JV may not be completed at all. Neither the Offering nor the related financing transactions described in this offering memorandum are conditioned upon the completion of the acquisition of the South African JV. If, however, the acquisition of the South African JV does not occur on or before the Completion Date, the total capacity under the Revolving Credit Facility will be reduced from \$250.0 million to \$235.0 million until the consummation of such acquisition; *provided*, *however*, that if the acquisition of the South African JV does not occur on or before December 31, 2011, the total capacity under the Revolving Credit Facility will be permanently reduced to \$235.0 million. German Bidco has agreed with Evonik Degussa (*"Evonik Degussa"*), a subsidiary of Evonik, that it will offer to purchase the shares of the other joint venture partner if the acquisition is completed and they so request. The South African JV accounted for €7.9 million, or 5.9%, of our total EBITDA in the Last Twelve Months;
- the combined financial statements of Evonik Carbon Black include the financial information of Qingdao Evonik Chemicals Co. Ltd., Evonik Carbon Black's Chinese joint venture (the *"Chinese JV"*). The acquisition of the Chinese JV is subject to obtaining consent from the other joint

venture partners and regulatory approval. The Chinese JV is expected to be acquired by way of a separate acquisition that is not likely to close until after the Completion Date and may not be completed at all. Neither the Offering nor the related financing transactions described in this offering memorandum are conditioned upon the completion of the acquisition of the Chinese JV. German Bidco has agreed with Evonik Degussa that it will offer to purchase the shares of the other joint venture partners if the acquisition is completed and they so request. The Chinese JV accounted for €1.9 million, or 1.4%, of our total EBITDA in the Last Twelve Months;

- the combined financial statements of Evonik Carbon Black include the financial information of Deutsche Gasrusswerke GmbH & Co. KG, Evonik Carbon Black's German joint venture (the *"German JV"*). The acquisition of the German JV is subject to obtaining consents and approvals. If these consents and approvals are not obtained by the Completion Date, Evonik may retain its interest in the German JV until such consents and approvals have been obtained. During this period, German Bidco and Evonik Degussa have agreed to put themselves in the same economic position as if the German JV had been acquired on the Completion Date;
- the combined financial statements of Evonik Carbon Black do not include the results of Evonik's shared sales offices from the sale and distribution of carbon black. Although the relevant legal entities carrying out the sales functions of Evonik will not be part of the Acquisition, we plan to integrate the carbon black sales force of Evonik's sales offices into our business. Evonik's sales offices generated EBITDA of €8.0 million related to carbon black sales in the Last Twelve Months;
- the combined financial statements of Evonik Carbon Black include an allocation of costs of Evonik's U.S. defined benefit plan that are attributable to Evonik Carbon Black's operations in the United States. Upon completion of the Acquisition, Evonik Carbon Black intends to replace Evonik's U.S. defined benefit plan with a U.S. defined contribution plan, the costs of which may differ from those associated with Evonik's U.S. defined benefit plan;
- certain other assets and liabilities related to Evonik Carbon Black will not be transferred as part of the Acquisition, but will be retained by Evonik, including liabilities to current and former employees of Evonik Carbon Black arising under pension and other benefits schemes and assets and liabilities arising under foreign exchange hedges entered into for the account of Evonik Carbon Black;
- Evonik has provided an indemnity against certain costs and risks associated with the business, including a limited indemnity for certain environmental costs and liabilities, which historically have been borne by Evonik Carbon Black and are therefore reflected in the combined financial statements; and
- the Acquisition will be accounted for using the purchase method of accounting and, accordingly, will result in the recognition of assets acquired and liabilities assumed at their respective fair values, which could differ significantly from the carrying values of assets and liabilities reported in our combined financial statements. As a result, our depreciation and amortization expenses may differ significantly, which will be reflected in our cost of sales and other expenses. The Acquisition will also result in a step-up for income tax purposes of the book value of the assets of Evonik Carbon Black.

Non-IFRS Measures

In this offering memorandum, we present certain financial measures that are not recognized by IFRS and that may not be permitted to appear on the face of the primary combined financial statements or footnotes thereto.

The primary non-IFRS financial measures used in this offering memorandum are EBITDA, Adjusted EBITDA and raw material margin. We define EBITDA as operating profit (loss) before depreciation, amortization, impairment losses and income from the reversal of impairments. We define Adjusted EBITDA as EBITDA as adjusted for non-recurring items, corporate center charges related to Evonik's head office services, incremental stand-alone costs, hedging losses from our discontinued commodity hedging strategy, EBITDA from Evonik's non-consolidated worldwide sales offices to the extent related to the sale and distribution of carbon black, and savings related to the closed Botlek (the Netherlands) plant. We define raw material margin as sales less cost of raw materials, supplies and purchased commodities (excluding discontinued hedging strategy losses).

We use EBITDA-based measures and raw material margin as internal measures of performance to benchmark and compare performance, both between our own operations and as against other companies. The EBITDA-based measures and raw material margin are used, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performance of our business. We believe EBITDA-based measures and raw material margin are useful and commonly used measures of financial performance in addition to net profit, operating profit and other profitability measures under IFRS because they facilitate operating performance comparisons from period to period and company to company.

By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures and taxation positions or regimes, we believe EBITDA-based measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe EBITDA-based measures are regularly used by the investment community as a means of comparison of companies in our industry. By deducting cost of raw materials, supplies and purchased commodities from sales, we believe raw material margin can provide a useful basis for comparing the current performance of the underlying operations being evaluated because our sales are strongly impacted by fluctuations in raw material costs, in particular the cost of carbon black oil, our principal feedstock.

Different companies and analysts may calculate EBITDA-based measures and raw material margin differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based measures and raw material margin are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of our operations in accordance with IFRS.

INDUSTRY, RANKING AND OTHER DATA

General

Information included in this offering memorandum relating to industries, industry size, industry share, industry position, industry capacities, industry demand, growth rates, penetration rates, average prices and other industry data pertaining to our business consists of estimates based on data reports compiled by professional third-party organizations and analysts, on data from external sources, on our knowledge of our sales and industries and on our own calculations based on such information. In particular, certain information has been provided by Notch Consulting Group. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate industry-related analyses and estimates, thus requiring us to rely on internally developed estimates. While we have compiled, extracted and reproduced industry data from external sources, including third-party or industry or general publications, neither we nor the Initial Purchasers have independently verified the data. We cannot assure you of the accuracy and completeness of, and take no responsibility for, such data. Similarly, while we believe our internal estimates to be reasonable, they have not been verified by any independent sources, and we cannot assure you as to their accuracy.

The Birla/Columbian Acquisition

In January 2011, the Aditya Birla Group (*“Birla”*), the world’s fourth largest producer of carbon black based on capacity in 2010, entered into an agreement to acquire Columbian Chemicals (*“Columbian”*), the world’s third largest producer of carbon black based on capacity in 2010 (the *“Birla/Columbian Acquisition”*). The acquisition is expected to be completed by mid-2011. Following completion of the acquisition, Evonik Carbon Black will no longer be the world’s second largest producer of carbon black, but will become the world’s third largest producer based on capacity in 2010. Throughout this offering memorandum, industry shares and positions for 2010 are presented on a pro forma basis as if the Birla/Columbian Acquisition had been completed at the beginning of 2010.

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks and trade names that we use in conjunction with the operations of our business. Each trademark, tradename or service mark of any other company appearing in this offering memorandum belongs to its holder. Following the completion of the Acquisition, we will no longer be entitled to use the *"Evonik"* trademark or any trademark, trade name or service mark that contains the name *"Evonik"*.

CURRENCIES AND EXCHANGE RATES

We publish our financial statements in Euro. The following tables set forth, for the periods and dates indicated, the period end, average, high and low exchange rates, as published by Bloomberg expressed in U.S. Dollars per €1.00.

Exchange Rates for the Previous Six Months:

	Period end	Average rate(1)	High	Low
December 2010	1.3391	1.3224	1.3395	1.3089
January 2011	1.3715	1.3366	1.3715	1.2944
February 2011	1.3792	1.3656	1.3793	1.3474
March 2011	1.4182	1.4019	1.4211	1.3812
April 2011	1.4820	1.4459	1.4820	1.4211
May 2011	1.4376	1.4331	1.4875	1.4015
June 2011 (through June 15, 2011)	1.4295	1.4490	1.4666	1.4295

Exchange Rates for the Past Three Years:

	Period end	Average rate(2)	High	Low
2008	1.3918	1.4706	1.6010	1.2445
2009	1.4332	1.3942	1.5099	1.2547
2010	1.3391	1.3267	1.4535	1.1959

(1) The average of the daily exchange rates during the relevant period. The exchange rate on June 15, 2011 was $1.4295 per €1.00.

(2) The average of the daily exchange rates during the relevant year.

Our inclusion of these exchange rates and other exchange rates specified elsewhere in this offering memorandum should not be construed as representations that the Euro amounts actually represent such U.S. Dollar amounts or could have been or could be converted into U.S. Dollars at any particular rate, if at all.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains and refers to certain forward-looking statements with respect to the financial condition, results of operations and business of Evonik Carbon Black and its affiliates. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among others, statements concerning the potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

Forward-looking statements are typically identified by words such as *"anticipate"*, *"believe"*, *"could"*, *"estimate"*, *"expect"*, *"intend"*, *"may"*, *"plan"*, *"objectives"*, *"outlook"*, *"probably"*, *"project"*, *"will"*, *"seek"*, *"target"* and other words of similar meaning in connection with a discussion of future operating or financial performance. All these forward-looking statements are based on estimates and assumptions made by such entities that, although believed to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed upon any forward-looking statements. There are important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements. These factors include, among others, statements relating to:

- negative or uncertain worldwide economic conditions;
- volatility and cyclicality in the industries in which we operate;
- volatility in the costs and availability of raw materials and energy;
- operational risks inherent in chemicals manufacturing, including disruptions as a result of severe weather conditions and natural disasters;
- our dependence on major customers;
- competition in the industries in which we operate;
- our ability to develop new products and technologies successfully;
- our ability to implement our business strategies successfully;
- our ability to realize benefits from investments, joint ventures, acquisitions or alliances;
- environmental and safety regulations, including nanomaterial and greenhouse gas emissions regulations, and the related costs of maintaining compliance and addressing liabilities;
- litigation or legal proceedings, including product liability claims;
- enforceability of our intellectual property rights;
- fluctuations in foreign currency exchange and interest rates;
- information technology systems failures, network disruptions and breaches of data security;
- our ability to recruit or retain key management and personnel;
- relationships with our workforce, including negotiations with labor unions, strikes and work stoppages;
- political or country risks, or dislocations in credit and capital markets;
- decreases in the fair value of our business and potential impairments or write-offs of certain assets;
- increases in our pension fund contributions;
- the adequacy of our insurance coverage;
- changes in our jurisdictional earnings mix or in the tax laws of those jurisdictions;
- our ability to operate as a stand-alone company; and
- potential conflicts of interests with our ultimate principal shareholders.

For further information regarding factors that could affect the business and financial results of the Issuer or its affiliates and such forward-looking statements, see *"Risk Factors"*.

All subsequent forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, our results could differ materially from the forward-looking statements contained in this offering memorandum.

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum. Capitalized terms used but not defined in this summary are defined elsewhere in this offering memorandum. Investors should consider this offering memorandum in its entirety, including the information referred to under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors", and our combined financial statements, prior to making an investment in the Notes. The basis of certain information in this offering memorandum regarding industry share and our position relative to our competitors is described under "Industry, Ranking and Other Data".

Overview

We are a leading global producer of carbon black headquartered in Germany. Carbon black is a powdery form of carbon that is customized to impart or enhance certain physical, electrical and optical properties of various materials. Carbon black products are primarily used as additives in coatings, plastics and printing inks (pigment black) and in the reinforcement of rubber (rubber black).

In the Last Twelve Months, we generated sales of €1,244.9 million and Adjusted EBITDA of €164.5 million on a volume of 1,126.1 kilo metric tons (*"kmt"*). We operate a diversified carbon black production platform with more than 130 pigment grades and approximately 40 rubber grades. Our product portfolio is one of the broadest in the industry and is divided across the following two product lines:

- *Pigment Black*. We were the largest global producer of pigment black with an estimated industry share of 35% in 2010 based on revenue. We produce pigment black for several highly specialized niche applications. Pigment black imparts specific desirable characteristics, such as high-quality durable pigmentation, UV protection and conductivity. Pigment black is primarily used in coatings, plastics, printing inks and other specialty applications. In the Last Twelve Months, the pigment black product line accounted for 29.4% of total sales, 65.2% of EBITDA (before unallocated costs, net) and 17.2% of total volume.
- *Rubber Black*. We were the third largest global producer of rubber black with an estimated industry share of 10% in 2010 based on capacity. Rubber black is primarily used for reinforcement of rubber in tires and mechanical rubber goods. In the Last Twelve Months, the rubber black product line accounted for 70.6% of total sales, 34.8% of EBITDA (before unallocated costs, net) and 82.8% of total volume.

We have more than 75 years of experience and enjoy a long-standing reputation within the carbon black industry for applications knowledge, technical expertise and innovation, built upon continually improving processes, some of which were originally developed by our predecessor company Evonik (formerly Degussa). This experience has enabled us to develop our core competencies and proprietary technologies across the carbon black value chain. We focus on providing consistent product quality, reliability and innovation through advanced research and development and application technology.

Our sophisticated research and development and application technology teams work closely with our major clients to develop innovative products and applications, while strengthening customer relationships and improving communication flow. Long-term research and development alliances and superior technical interface with customers allows us to develop tailored solutions and meet unique customer requirements. As a result, we have been able to generate attractive margins for our highly specialized carbon black products.

We operate a modern and comprehensive supply chain network comprising 16 production plants, located in Europe, North America, South Korea, China, South Africa and Brazil, supported by global warehousing and logistics capabilities. Through our global operations, we are able to serve the largest blue-chip consumers of specialty pigments and the leading international tire and mechanical rubber goods customers across a wide spectrum of different carbon black qualities and grades.

In terms of geographical distribution, we generated €447.4 million, or 35.9%, of sales in Europe, €270.5 million, or 21.7%, in North America, €197.3 million, or 15.8%, in South Korea, €88.8 million, or

7.1%, in China, €68.0 million, or 5.5%, in South Africa, €47.3 million, or 3.8%, in Brazil, and €125.6 million, or 10.1%, in other countries in the Last Twelve Months.

Our Strengths

We believe that the factors set forth below provide us with a competitive advantage:

Leading Industry Positions in Carbon Black

We are a leading global producer of carbon black with more than 75 years of experience in the industry and operations in all major economic regions of the world. In 2010, we were the largest global producer of pigment black with an estimated industry share of 35% based on revenue and the third largest global producer of rubber black with an estimated industry share of 10% based on capacity. We generated 65.2% of our EBITDA (before unallocated costs, net) from the pigment black product line in the Last Twelve Months. Many of our pigment black products are highly customized, reinforcing our customer relationships and our leading industry position. Distribution of rubber black is largely regional, since transportation costs are high relative to its sales price. We believe that in most of our key regions, our rubber black industry share is higher than our global share. For example, we held higher rubber black industry shares relative to our global share in Europe, North America, South Korea, South Africa and Brazil in 2010. As a result of our global scale, long standing customer relationships, production and applications know-how, and our ability to meet the capital and regulatory requirements of the carbon black industry, we believe we are well-positioned to maintain our leading industry positions.

Diverse and Flexible Niche Product Offering

We supply customized pigment black and rubber black products for a wide variety of end-uses, including coatings, plastics, inks, tires and mechanical rubber goods. Carbon black product properties can be influenced by the choice of production technology and operating parameters. We believe we possess the largest array of production technologies and that our product offering is the broadest in the industry, including carbon black products for several highly specialized niche applications. At present, we are the only global carbon black producer with know-how and existing capacity to produce pigment black using furnace, gas, lamp and thermal black production processes. As a result, we can maintain a broad product portfolio and offer bespoke products for highly specialized niches of the pigment black industry. In the Last Twelve Months, our EBITDA margin (before unallocated expenses, net) for the pigment black product line was 27.9%. Our rubber black product line offers both standard and specialty applications for tires and mechanical rubber goods produced with furnace and thermal black production technologies. The cost and processing advantages of rubber black when compared to, for instance, silica-based tires, make rubber black currently the most economical product available for these applications.

Our diverse and flexible product offering lowers our dependency on individual products and end-uses. We have made recent investments in strategic sites to increase the flexibility of our production platform. This increased flexibility allows us to opportunistically shift our capacity to produce higher margin products, including shifting from rubber black for tires to rubber black for higher-end mechanical rubber goods and specialty pigment black.

Global Footprint with Local Access to Blue-chip Customer Base

Our strategic manufacturing presence in key regions and our global sales reach provide us with a competitive platform to service our customers. We operate a modern and comprehensive global supply chain network comprising 16 production plants, located in Europe, North America, South Korea, China, South Africa and Brazil, supported by global warehousing and logistics capabilities. Our broad geographical presence enables us to coordinate raw material purchasing and optimize manufacturing process economics. The geographic diversity of our operations lowers our dependency on individual regions and provides downside protection. It allows us to offer our customers backup supply capabilities in the event of supply disruptions or unexpectedly high demand. Through our global operations, we serve the largest blue-chip consumers of specialty pigments and the leading international tire and mechanical rubber goods customers in multiple regions globally. We are a supplier to more than 2,100 customers across 80 countries and have been a long-term supplier to many blue-chip companies in the industry. In particular, we have been serving 18 strategically positioned, global key customers for over 20 years, including eight in pigment black (AkzoNobel, BASF, DuPont, Flint Group, KCC, PPG Industries, Siegwerk and Sun Chemical), six in tires (Bridgestone, Continental, Cooper, Hankook, Goodyear and Michelin) and four in mechanical rubber goods (Cooper Standard, Hexpol, Hwaseung and Trelleborg). Our reputation results from our focus on high product quality, consistency, reliability and innovation, combined with technical product and applications support and key account management. This has contributed to our preferred supplier status with many blue-chip customers.

Our strategic locations in key regions of the world provide us with a logistical advantage to capitalize on present and future industry trends. Many of our plants are located within close proximity to key customer sites. This allows us to compete regionally on a cost effective basis due to the relatively high transport costs of rubber black, which reduces interregional shipment of rubber black. Our pigment black production plants are located in the major economic regions of Europe, North America and Asia, and serve customers globally. We believe our scale and depth of product make us well-positioned to take advantage of favorable trends in both developed and emerging countries. We believe we are well positioned to serve the key growth emerging markets through our manufacturing presence in Latin America (Brazil), Sub-Saharan Africa (South Africa), Asia (South Korea and China) and Eastern Europe (Poland).

Integrated Research and Development Department with Close Customer Collaboration

We enjoy a long-standing reputation within the carbon black industry for applications knowledge, technical expertise and innovation. Our production and applications know-how allows us to develop high-quality niche products tailored to meet specific customer requirements. We deploy state-of-the art research facilities, including pilot plants, simulation technologies, lab scale manufacturing equipment, and sophisticated testing laboratories. These are devoted to develop new products, improve process efficiencies and realize further cost savings. Our sophisticated research and development and application technology teams work closely with our major clients to develop innovative products and applications, while strengthening customer relationships and improving communication flow. This customer collaboration provides us with a deep understanding of customer needs and production challenges, as well as a long-term industry outlook. At the same time, it reduces our time to market for new product innovations. Long-term research and development alliances and superior technical interface with customers allows us to develop tailored solutions and meet unique customer requirements. As a result, we have been able to generate attractive margins for our highly specialized carbon black products. Our level of product customization and collaborative research and development incentivizes our customers to maintain their business with us. In addition, the qualification and approval processes with customers in many of the carbon black end-market applications, occasionally extending more than one year, can result in inefficiencies when switching suppliers.

Flexible Contracts with the Ability to Pass Through Raw Material Cost Increases to Customers

We have a proactive price and contract management strategy, which supports our efforts to preserve margins via pass-through of feedstock cost increases to customers on a timely basis. A significant proportion of our contracts has formula-driven price adjustment mechanisms for changes in raw material costs (79% in tires, 67% in mechanical rubber goods and 27% in pigments based on estimated sales volumes for 2011). These contracts allow us to pass through changes in raw material costs to customers typically within three months. This supports our efforts to maintain margins in most volatile raw material pricing environments. For example, Brent crude oil prices peaked at $146 per barrel in July 2008 and subsequently decreased to $37 per barrel in December 2008. Despite the significant fluctuation in oil price and the fact that the average Brent crude oil price in 2008 was considerably higher at $99 per barrel compared to $63 per barrel in 2009, we were able to maintain our average raw material margin per ton of €366.1 in 2008 compared to €369.0 in 2009. Recently, we have shifted a significant number of contracts from quarterly price adjustments to monthly price adjustments to improve the speed at which we pass through raw material cost changes in order to further stabilize our margins. As a result, the percentage of contracts with monthly price adjustments has more than doubled in the past three years based on volume. We have a supplemental hedging strategy in place to protect against the time-lag exposure between contract price adjustments. We also have a significant share of short-term non-indexed contracts (21% in tires, 33% in mechanical rubber goods and 73% in pigments based on estimated sales volumes for 2011), the majority of which we are generally able to reprice frequently, typically on a quarterly basis. Pigment contracts are mostly short-term and non-indexed, reflecting a price structure that is more driven by value in use rather than production costs. This allows us to renegotiate these contracts more frequently, which we believe generally favors the pricing of our customized pigment black products for niche applications.

Experienced Management Team Supported by our Principal Shareholders

Our senior management has an average of more than 20 years of business and industry experience. Our chief executive officer, Jack Clem, joined the business in 2001 and has over 35 years of experience in the performance and specialty minerals and chemicals industry. Our chief financial officer designate, Charles Herlinger, has acted as chief financial officer for both public and private companies, and has valuable experience with sponsor-led buyouts. Our managers are veterans of specialty materials businesses and have a track record of achieving profitable growth in the chemicals industry and managing businesses through cyclical downturns. Our management responded quickly to the global economic downturn in 2008 and 2009 with the implementation of a restructuring program, including plant closures, reduced overhead costs, reduced product portfolio complexity, and improved sourcing, which allowed us to take steps to further strengthen our asset base and competitiveness. Since the initiation of the carve-out process in April 2010, our management has effectively operated the business with the objective of becoming an independent company, making substantial improvements in operational processes, such as margin, customer and product mix management and supply chain effectiveness. We believe our management is well-positioned to implement our strategy and to operate the business on a fully stand-alone basis going forward. Following the Acquisition, we will also benefit from the relationships, knowledge, investments and carve-out experience in the chemicals and materials industries of Rhône Capital L.L.C. and certain of its affiliates (*"Rhône"*) and Triton Managers III Limited and certain of its affiliates (*"Triton"*).

Our Strategy

We continue to use our core competencies in carbon black production and applications and drive improvements based on the following key strategies:

Enhance Leading Industry Position and Improve Competitive Advantage

We aim to use our leading position and proven track record for pigment black and plan to selectively increase our regional manufacturing capabilities in Europe, North America and Asia to further expand our global presence and customer reach. We are expanding our key account management initiatives globally and are standardizing best practices across all our facilities. We aim to improve the competitive advantage of our rubber black business through various supply chain improvements, including global inventory management, integrated sales and production planning, process efficiency upgrades, and further optimization of feedstock purchasing methods. We also plan to selectively expand and upgrade our rubber black capacity in Asia and Europe, in particular for mechanical rubber goods. We seek attractive partnerships with, or acquisitions of, carbon black companies that complement the technical and geographical requirements of our customers. We continue to evaluate increasing our energy co-generation capabilities through investments in energy recovery and continue to improve efficiencies with the roll-out of advanced reactor designs.

Realign Portfolio Towards Higher Margin Products and Applications

We continue to upgrade and expand our pigment black capacity towards higher margin products and applications. Our flexible production platform enables us to shift additional production capacity within a short time frame to higher margin carbon black products, while at the same time reducing or discontinuing less profitable product lines. We expect this will result in further product mix and margin improvements combined with a reduction in portfolio complexity. We plan to support the portfolio realignment through ongoing investments in technology. We have made recent investments in strategic sites to increase the flexibility of our production platform. For example, we have migrated production lines from rubber black to pigment black at our Malmö (Sweden) and Belpre (Ohio) plants. We have upgraded our rubber black production lines for mechanical rubber goods in South Korea and Italy and are in the process of installing a "swing production line" in China, which will allow us to easily shift production capacity between rubber black for tires and mechanical rubber goods. We believe that these investments will allow us to shift additional production towards higher margin products and applications in accordance with demand.

Our sophisticated research and development and application technology teams continue to collaborate with customers to introduce new pigment black grades with improved performance attributes. For example, we are committed to introducing coatings systems that use limited amounts of volatile organic compounds and thus have reduced impact on the environment. Additionally, we continue to improve grades for highly dispersing fiber, and wire and cable applications, which are in demand as a result of infrastructure and demographic growth. We continue to pursue higher margin rubber black product opportunities by focusing on value-added segments in tires and mechanical rubber goods. Examples include new grades that offer lower rolling resistance in tires while maintaining traction and wear characteristics, and improved processibility and aesthetics in extruded compounds for automotive sealing systems. We aim to increase customer demand for our higher margin carbon black offering through enhanced sales and marketing efforts.

Further Improve Productivity and Cost Structure to Enhance Cash Flow Generation

We intend to implement a more efficient corporate and management structure coupled with compensation arrangements that incentivize our employees based on value creation and cash generation, with individual bonuses based on performance. We plan to enhance our global management information centers and technology platforms to provide better transparency and improve organizational efficiencies. We have realized significant savings in the past through plant closures and a reduction in overhead costs, and we intend to achieve further cost savings by actively managing costs and capacity as regional demand warrants. For example, we closed the Botlek (the Netherlands) plant in September 2010, which accounted for approximately €7.4 million of fixed cost of sales in Fiscal Year 2010, while successfully shifting sales and volumes to our other European carbon black plants, without incurring any material fixed cost of sales increases at such plants. In addition, we reduced overhead costs throughout our business mainly through an overhead headcount reduction of approximately 40 full-time equivalent employees (*"FTEs"*) in Fiscal Year 2009, primarily at German sites. We aim to enhance our cash flows and reduce our net working capital requirements by improving global inventory management, feedstock purchasing methods, and receivables and payables management. We plan to accelerate the migration of customers to contracts with shorter price adjustment terms to improve the speed at which we are able to pass through raw material cost changes. We also plan to accelerate our implementation of the supplemental hedging strategy to protect against the time-lag exposure between contract price adjustments.

Current Trading

Our business continued to perform well in April and May 2011 due to ongoing strong end-market demand as a result of the economic recovery and permanent production capacity reductions in the carbon black industry during the economic downturn, and sales price increases to compensate for the significant oil price increases in 2011. Consequently, we expect sales for April and May 2011 to be higher than sales for the same period in 2010. In addition, to further strengthen our ability to pass through feedstock price increases, we continued to shift contracts from quarterly price adjustments to monthly price adjustments.

The Transactions

In April 2011, German Bidco entered into agreements with Evonik, pursuant to which German Bidco agreed to acquire Evonik Carbon Black, which had previously been separated from Evonik's other operations (the *"Separation"*). The closing of the Primary Acquisition is planned for the end of July 2011. The Offering is part of the overall financing arrangements (the *"Financing"*) for the Acquisition. Set forth below is a more detailed description of the Separation, the Acquisition and the Financing (together, the *"Transactions"*).

The Separation

In June and July 2010, Evonik implemented a reorganization of its carbon black activities in order to separate Evonik's carbon black business from its other operations. Previously, Evonik's carbon black business was principally conducted by ten legal entities solely operating in the carbon black business line and by three legal entities that also operated in other business lines of Evonik. In June 2010, the carbon black business of these three legal entities was transferred to newly formed entities with economic effect as of July 1, 2010.

Following the Separation, Evonik has continued to provide certain administrative and other corporate functions to Evonik Carbon Black, including executive oversight, financial reporting, marketing, human resources, treasury, information technology, accounting, legal, environmental, health and safety, tax, administration, facility management, office, procurement, process technology and engineering services. Evonik Carbon Black has also continued to use some of Evonik's sales personnel for the distribution of a portion of its products. Upon completion of the Acquisition, Evonik will continue to provide support to us with respect to certain of these functions on a transitional basis. The terms of these services and amounts to be paid by us to Evonik are provided in the transitional services agreement described under *"The Transactions—The Acquisition—Transitional Services Agreement"*.

In addition to services described above, we have historically participated in Evonik's cash management and financing system, including cash-pooling arrangements and inter-company loan agreements. Evonik has also provided us with performance bonds and assistance with certain commercial and local financing arrangements. Our insurance coverage has historically been taken out by Evonik on our behalf, and our commodity and foreign currency exchange hedging strategies have been implemented by Evonik for our account and risk. Upon completion of the Acquisition, we expect to put in place our own cash management and financing system. In addition, we expect to transfer the commodity hedges and to put in place a comparable foreign currency exchange hedging strategy in our own name. We also expect to put in place new insurance policies comparable to those currently in place as well as additional insurance to expand our coverage and address any gaps in coverage resulting from replacing Evonik's insurance.

The Acquisition

On April 16, 2011, German Bidco entered into a sale and purchase agreement (the *"Primary Acquisition Agreement"*) with Evonik Degussa, pursuant to which German Bidco agreed to acquire (the *"Primary Acquisition"*) from Evonik the entities operating its carbon black business with economic effect from January 1, 2011, subject to the following exceptions:

- ECB Netherlands, the Dutch legal entity that has operated the Botlek (the Netherlands) plant, will not be part of the Acquisition. The Botlek (the Netherlands) plant was closed in September 2010 and production and sales volumes have been shifted to Evonik Carbon Black's other European carbon black plants. ECB Netherlands contributed a negative EBITDA (before intercompany reimbursements) of €8.4 million in the Last Twelve Months;
- ECB Holding United States, the U.S. entity that has acted as intermediate holding company of our operating entity in the United States, will not be part of the Acquisition. ECB Holding United States accounted for €39,800 of our total EBITDA in the Last Twelve Months;
- the acquisition of the South African JV is subject to obtaining consent from the other joint venture partner and regulatory approval. If such consent and regulatory approval are not obtained by the Completion Date or an agreed-upon later date, the acquisition of the South African JV may not be completed at all. Neither the Offering nor the related financing transactions described below are conditioned upon the completion of the acquisition of the South African JV. If, however, the acquisition of the South African JV does not occur on or before the Completion Date, the total capacity under the Revolving Credit Facility will be reduced from $250.0 million to $235.0 million until the consummation of such acquisition; *provided, however,* that if the acquisition of the South African JV does not occur on or before December 31, 2011, the total capacity under the Revolving Credit Facility will be permanently reduced to $235.0 million. German Bidco has agreed with Evonik Degussa that it will offer to purchase the shares of the other joint venture partner if the acquisition is completed and they so request. The South African JV accounted for €7.9 million, or 5.9%, of our total EBITDA in the Last Twelve Months;

- the acquisition of the Chinese JV is subject to obtaining consent from the other joint venture partners and regulatory approval. The Chinese JV is expected to be acquired by way of a separate sale and purchase agreement dated April 16, 2011, between German Bidco and Evonik Degussa (the *"Chinese JV Acquisition Agreement"* and, together with the Primary Acquisition Agreement, the *"Acquisition Agreements"*). The acquisition of the Chinese JV is not likely to close until after the Completion Date and may not be completed at all. Neither the Offering nor the related financing transactions described below are conditioned upon the completion of the acquisition of the Chinese JV. German Bidco has agreed with Evonik Degussa that it will offer to purchase the shares of the other joint venture partners if the acquisition is completed and they so request. The Chinese JV accounted for €1.9 million, or 1.4%, of our total EBITDA in the Last Twelve Months; and
- the acquisition of the German JV is subject to obtaining consents and approvals. If these consents and approvals are not obtained by the Completion Date, Evonik may retain its interest in the German JV until such consents and approvals have been obtained. During this period, German Bidco and Evonik Degussa have agreed to put themselves in the same economic position as if the German JV had been acquired on the Completion Date.

The estimated equity purchase price for the Acquisition (including the acquisition of Evonik's interest in the South African JV and the Chinese JV) is €506.0 million, subject to, *inter alia,* an adjustment based on the development of fuel oil prices and exchange rates until the Completion Date. The equity purchase price decreases if the oil price increases above a certain reference price and increases if the oil price decreases below this reference price. In addition, German Bidco has agreed to acquire at par value from Evonik all shareholder loan receivables and intercompany receivables in relation to other group financings that exist on the Completion Date against any of the entities acquired.

The closing of the Primary Acquisition is subject to certain conditions, including the approval by various merger control authorities, the continued existence of certain material agreements and the absence of a material adverse change.

The closing of the Primary Acquisition is planned for the end of July 2011. In the event that the closing conditions are not satisfied by July 31, 2011 (or September 30, 2011, if only the approval by specified merger control authorities is outstanding and Evonik has complied with its undertaking to provide certain assistance in connection with the financing of the Acquisition), each party shall be entitled to terminate the Acquisition Agreements.

The Financing

The financing arrangements entered into in connection with the Acquisition include:

- *Equity Investment*: An investment of approximately €321.2 million by the Principal Shareholders (as defined herein). For more information, see *"Principal Shareholders"*.
- *Notes offered hereby*: €355.0 million principal amount of Euro Notes and $350.0 million principal amount of Dollar Notes offered hereby. For more information, see *"Description of the Notes"*.
- *Revolving Credit Facility*: On the Completion Date, a Revolving Credit Facility in an amount of up to $250.0 million will be available to the Issuer, German Bidco and certain other subsidiaries that become borrowers under the Revolving Credit Facility for general corporate and working capital purposes and, if necessary, to finance part of the Acquisition on the Completion Date. The amount of the Revolving Credit Facility that will be drawn down on the Completion Date depends on a number of factors, including our working capital position on the Completion Date. We currently expect that the Revolving Credit Facility will not be drawn as of the Completion Date, but that there will be letters of credit outstanding under the Revolving Credit Facility. For more information, see *"Description of Other Indebtedness"*.

  If the acquisition of the South African JV does not occur on or before the Completion Date, the total capacity under the Revolving Credit Facility will be reduced from $250.0 million to $235.0 million until the consummation of such acquisition; *provided, however,* that if the acquisition of the South African JV does not occur on or before December 31, 2011, the total capacity under the Revolving Credit Facility will be permanently reduced to $235.0 million.

Sources and Uses

The Offering is expected to be consummated prior to the completion of the Acquisition. Pending consummation of the Primary Acquisition, the Initial Purchasers will deposit the gross proceeds of the Offering into segregated escrow accounts. The escrow accounts will be controlled by, and pledged on a first-ranking basis in favor of, the Trustee for the benefit of the holders of the Notes. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the closing of the Primary Acquisition. If the Primary Acquisition is not consummated on or prior to September 30, 2011, or upon the occurrence of certain events, the Notes will be subject to a special mandatory redemption at a price equal to 100% of the aggregate issue price of the relevant series of Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the issue date to the date of special mandatory redemption. See *"Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption"*.

Upon release of the proceeds from escrow, the proceeds of the Offering, together with the Equity Investment as described below, will be used to finance the Acquisition as shown in the table below. The table below presents the estimated sources and uses based on an assumed Completion Date of June 30, 2011. Actual amounts may differ significantly from estimated amounts depending on several factors, including the development of earnings, net working capital, fuel oil prices and exchange rates until the Completion Date, and actual transaction fees and expenses.

Sources (Euro in millions)		**Uses** (Euro in millions)	
Notes offered hereby[1]	600.0	Acquisition consideration[3]	841.5
Equity Investment[2]	321.2	Transaction fees and expenses[4]	51.6
		Cash for general corporate purposes[1], [3], [5]	28.1
Total sources	**921.2**	**Total uses**	**921.2**

(1) Represents the €600.0 million (equivalent) aggregate principal amount of the Notes offered hereby, consisting of €355.0 million of Euro Notes and $350.0 million of Dollar Notes. The principal amount of the $350.0 million Dollar Notes issued in the Offering has been translated at an exchange rate of $1.4252 per €1.00 (as reported by Bloomberg on June 17, 2011) and has been rounded down to the nearest million for presentational purposes. This exchange rate may differ from the exchange rate in effect as of the date the Dollar Notes are issued. To the extent the proceeds exceed the amount needed for the Acquisition consideration, such excess proceeds will be retained as cash for general corporate purposes. Based on our estimated Acquisition consideration, an estimated €3.4 million of excess proceeds is expected to be retained as cash for general corporate purposes on an assumed Completion Date of June 30, 2011.

(2) Represents the estimated investment to be made by the Principal Shareholders.

(3) Represents the estimated equity purchase price of €506.0 million and the estimated amount of existing net debt of €335.5 million on an assumed Completion Date of June 30, 2011. Our estimate of existing net debt assumes a level of working capital at closing in line with the average of that of last year, adjusted for a feedstock price estimated to be equivalent to a Brent oil price of $115 per barrel and for higher trading volumes than last year. Actual existing net debt may differ significantly from our estimate depending on several factors, including the development of earnings, net working capital, fuel oil prices and exchange rates until the Completion Date. To the extent actual existing net debt will differ from our estimate, our cash for general corporate purposes will be adjusted accordingly, and if needed, we will draw under the Revolving Credit Facility. As of March 31, 2011, actual existing net debt was €303.5 million (excluding net debt of ECB Netherlands and ECB Holding United States, which will not be transferred as part of the Acquisition, and excluding derivatives and employee loans), which would have resulted in estimated cash for general corporate purposes of €60.1 million.

The Acquisition consideration includes the consideration for the acquisition of Evonik's interest in the South African JV and the Chinese JV, which may not close simultaneously with the Primary Acquisition or at all. If the acquisitions of the South African JV and/or the Chinese JV do not close, the Acquisition consideration will correspondingly decrease and our cash for general corporate purposes will correspondingly increase. If the purchaser of the carbon black business acquires, in addition to Evonik's interests, the interest of the other joint venture partners in the South African JV and/or the Chinese JV, the Acquisition consideration will correspondingly increase and our cash for general corporate purposes will correspondingly decrease.

(4) Represents the estimated fees and expenses associated with the Acquisition and Financing, including Initial Purchasers' fees and commissions, financing fees, advisory fees and other transaction costs and professional fees.

(5) Represents the estimated cash available for general corporate purposes on an assumed Completion Date of June 30, 2011, consisting of €24.7 million of estimated over-funded cash for operations and €3.4 million of estimated excess proceeds from the Notes offered hereby. Actual cash for general corporate purposes may differ significantly from our estimate depending on several factors as described under (3) above.

The Issuer

Kinove German Bondco GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany, was formed as a shelf company under the name Blitz F11-eins-vier GmbH and registered on March 15, 2011 in the commercial register of the local court of Frankfurt am Main under number HRB 90478. The name of the Issuer was changed to

Kinove German Bondco GmbH on April 19, 2011, after German Holdco acquired the Issuer on April 13, 2011. Until completion of the Acquisition, the Issuer's business address will be c/o Blitzstart Holding AG, Bavariaring 29, 80336 Munich, Germany, and its telephone number will be +49 (0) 8995 4430 250. Upon completion of the Acquisition, the Issuer's business address is expected to become c/o Evonik Carbon Black GmbH, Rodenbacher Chaussee 4, 63457 Hanau, Germany, and its telephone number is expected to become +49 (0) 6181 590. The address of the managing directors of the Issuer is the Issuer's business address.

Our Principal Shareholders

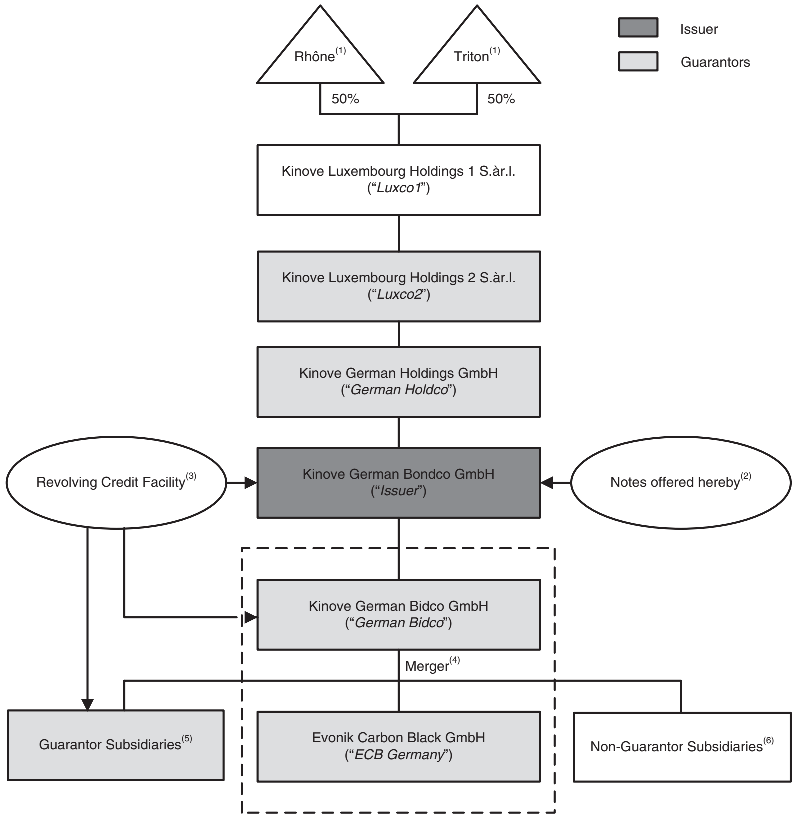
Upon completion of the Acquisition, Rhône Capital III L.P. and Rhône Capital IV L.P. and their respective affiliates or any investment vehicle, trust, fund, company or partnership owned, managed or advised by any of Rhône Capital III L.P., Rhône Capital IV L.P. or any such affiliate or holder of a beneficial economic ownership interest in any such trust, or any limited partner of any such fund, company or partnership (the *"Rhône Investors"*) and Triton Managers III Limited, TFF III Limited, and Triton Partners (Holdco) Limited (together, *"Triton III"*) and their respective affiliates or any fund that has indirectly or directly any of Triton III as a general partner or any investment vehicle, trust, fund, company or partnership owned, managed or advised by any of Triton III or any such affiliate or holder of a beneficial economic ownership interest in any such trust, or any limited partner of any such fund, company or partnership (the *"Triton Investors"*) will indirectly become the principal shareholders of Evonik Carbon Black (the *"Principal Shareholders"*). Pursuant to a shareholders agreement (the *"Shareholders Agreement"*), the Rhône Investors on one hand and the Triton Investors on the other hand will have equal rights with respect to voting, nominating board members and other matters.

Founded in 1996, Rhône focuses on private equity investments in market leading, cash flow generating businesses with pan-European or transatlantic presence and expansion prospects. Rhône's investment philosophy includes the development of strong, strategic partnerships with the companies in which it invests. Rhône currently has investments in a diversified portfolio of companies, and has had numerous successful experiences investing in the chemicals and related industries, as well as in corporate carve-outs. Rhône has offices in London, New York and Paris.

Triton is a leading private equity firm in the German-speaking and Nordic countries. Triton was formed in 1999 when its first fund was established and it has since established two more funds, with total assets under management currently in excess of €4.1 billion. Triton, through its investment expertise, industry experience, operational and specialist skills, local presence and international know-how, seeks to provide origination, investment and value-creation opportunities in accordance with its investment strategy to build better businesses. Triton has offices in Jersey, London, Frankfurt, Luxembourg and Stockholm.

Summary Corporate and Financing Structure

The following diagram depicts, in simplified form, our corporate and financing structure after giving effect to the Transactions. The chart is provided for illustrative purposes only and does not represent all legal entities or obligations of the entities presented. For more information on the debt obligations identified in this diagram, see *"Description of the Notes"* and *"Description of Other Indebtedness"*.



(1) An investment of approximately €321.2 million (the *"Equity Investment"*) is expected to be contributed to Luxco1 by the Principal Shareholders. See *"Principal Shareholders"*. The proceeds of the foregoing will ultimately be contributed to German Bidco through Luxco1's subsidiaries to fund a portion of the purchase price of the Acquisition.

(2) On the issue date, the gross proceeds of the Offering will be deposited into segregated escrow accounts pending consummation of the Primary Acquisition. On the Completion Date, the gross proceeds from the Offering will be released from escrow in order to fund a portion of the purchase price of the Acquisition and to pay costs and expenses incurred in connection with the Transactions as set forth in this offering memorandum under the caption *"Use of Proceeds"*.

On the issue date, the Notes will be senior obligations of the Issuer and will be guaranteed on a senior basis by each of Luxco2, German Holdco and German Bidco. As of the Completion Date, the Notes will also be guaranteed on a senior basis by the Completion Guarantors. Thereafter, the Notes will also be guaranteed on a senior basis by the Post-Completion Guarantors, no later than the earlier of (i) the date on which the relevant Post-Completion Guarantor grants a guarantee in respect of the Revolving Credit Facility and (ii) 45 days following the Completion Date.

The Issuer expects that the Notes will be secured by: (a) (i) all of the issued shares of the Issuer, German Holdco, Evonik Carbon Black Brasil Ltda. (*"ECB Brazil"*), and each of the Completion Guarantors and the Post-Completion Guarantors, (ii) certain intercompany loans and receivables of the Issuer, German Holdco and German Bidco, (iii) the bank accounts of the Issuer, German Holdco and German Bidco, and (iv) the rights of German Bidco under the Primary Acquisition Agreement, in each case, as of the Completion Date; (b) all of the issued shares of the South African JV and the Chinese JV, owned, directly or indirectly, by German Holdco, in each case on the earlier of (i) the date the Revolving Credit Facility is secured by such issued shares or (ii) 45 days following the later of the date of acquisition of the shares of the South African JV and the Chinese JV (as applicable), receipt of any necessary regulatory approval or obtaining the consent of minority shareholders (if required) for the granting of such security; and (c) (i) intercompany loans and intercompany receivables of each Completion Guarantor and each Post-Completion Guarantor and intercompany receivables of German Bidco from the South African JV, if any, (ii) the bank accounts of each Completion Guarantor and each Post-Completion Guarantor, and (iii) certain assets of German Holdco and its subsidiaries, including certain rights under insurance policies, certain stock, inventory and machinery, certain real estate and certain intellectual property rights, in each case, as of the same date that the Revolving Credit Facility is so secured.

For more information on the security granted, see *"Description of the Notes—Security"* and for more information on potential limitations to the guarantees and the security, see *"Certain Insolvency Law Considerations and Certain Limitations on Note Guarantees and Security"*.

The Notes and the Note Guarantees will be secured by first-ranking liens over substantially all of the property and assets of the Issuer and the Guarantors that secure the Revolving Credit Facility; *provided*, *however*, that under the terms of the Intercreditor Agreement (as defined herein), the proceeds from any enforcement of the Collateral will be required to be applied to repay indebtedness outstanding under the Revolving Credit Facility and certain hedging obligations in priority to the Notes. See *"Description of Other Indebtedness—Intercreditor Agreement"*.

(3) The Revolving Credit Facility of up to $250.0 million will be available to the Issuer, German Bidco and certain other subsidiaries that become borrowers under the Revolving Credit Facility for general corporate and working capital purposes and, if necessary, to finance part of the Acquisition on the Completion Date. The actual amount of the Revolving Credit Facility that will be drawn down on the Completion Date depends on a number of factors, including our working capital position on the Completion Date. We currently expect that the Revolving Credit Facility will not be drawn as of the Completion Date, but that there will be letters of credit outstanding under the Revolving Credit Facility. As a condition precedent to any drawdown under the Revolving Credit Facility, the Revolving Credit Facility must be guaranteed on a senior basis by the Initial Guarantors and each of the Completion Guarantors and must be secured by: (i) all of the issued shares of the Issuer, German Holdco, ECB Brazil and each of the Completion Guarantors and Post-Completion Guarantors, (ii) certain intercompany loans and receivables of the Issuer, German Holdco and German Bidco, (iii) the bank accounts of the Issuer, German Holdco and German Bidco, and (iv) the rights of German Bidco under the Primary Acquisition Agreement. As soon as reasonably practicable, and in any event no later than 45 days after the Completion Date, the Revolving Credit Facility will be secured by certain other assets, as specified in the Agreed Security Principles (as defined therein), of each Completion Guarantor and Post-Completion Guarantor. See *"Description of Other Indebtedness"*.

If the acquisition of the South African JV does not occur on or before the Completion Date, the total capacity under the Revolving Credit Facility will be reduced from $250.0 million to $235.0 million until the consummation of such acquisition; *provided, however,* that if the acquisition of the South African JV does not occur on or before December 31, 2011, the total capacity under the Revolving Credit Facility will be permanently reduced to $235.0 million.

(4) It is expected that ECB Germany will be merged with German Bidco within 11 months after the Completion Date and with German Bidco as the surviving entity. German Bidco will remain a Guarantor following the merger. There can be no assurance, however, that the merger between ECB Germany and German Bidco will take place within 11 months after the Completion Date, or at all.

(5) The Completion Guarantors consist of certain acquisition vehicles formed or to be formed under the laws of France (*"France Bidco"*), Hong Kong (*"HK Bidco"*), Italy (*"Italy Bidco"*), Korea (*"Korea Bidco"*), Poland (*"Poland Bidco"*), Portugal (*"Portugal Bidco"*), Sweden (*"Sweden Bidco"*) and the United States (*"US Bidco"* and, together with German Bidco, France Bidco, HK Bidco, Italy Bidco, Korea Bidco, Poland Bidco, Portugal Bidco and Sweden Bidco, the *"Bidcos"*), provided that if the acquisition of the Chinese JV does not occur or is not expected to occur, HK Bidco may not be formed, and in such case, will not be a Guarantor. The Post-Completion Guarantors consist of Evonik Compagnie Française du Carbon Black S.A.S. (*"ECB France"*), Evonik Carbon Black Italia S.r.l. (*"ECB Italy"*), Evonik Carbon Black Korea Co. Ltd. (*"ECB Korea"*), Evonik Carbon Black Polska Sp. z.o.o. (*"ECB Poland"*), Evonik Carbogal S.A. (*"ECB Portugal"*), Evonik Norcarb A.B. (*"ECB Sweden"*) and Evonik Carbon Black LLC (*"ECB United States"*). ECB Germany, indicated separately in the chart, is also expected to become a Post-Completion Guarantor. The Post-Completion Guarantors accounted for 86.8% of our total sales and 92.0% of our total EBITDA (after certain adjustments) in the Last Twelve Months and 84.0% of our total gross assets as of March 31, 2011.

(6) The Post-Completion Non-Guarantors consist of ECB Brazil, the German JV, the South African JV and the Chinese JV. The Post-Completion Non-Guarantors accounted for 13.2% of our total sales and 8.0% of our total EBITDA (after certain adjustments) in the Last Twelve Months and 16.0% of our total gross assets as of March 31, 2011.

The Offering

The following is a brief summary of certain terms of the Offering. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the terms of the Notes, the Note Guarantees and the Collateral, including certain definitions of terms used in this summary, please see "Description of the Notes" and "Description of Other Indebtedness—Intercreditor Agreement".

Issuer	Kinove German Bondco GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany.
Notes Offered	€355.0 million aggregate principal amount of 10.000% Senior Secured Notes due 2018. $350.0 million aggregate principal amount of 9.625% Senior Secured Notes due 2018.
Issue Date	June 22, 2011.
Issue Price	Euro Notes: 100% (plus accrued and unpaid interest, if any, from the issue date). Dollar Notes: 100% (plus accrued and unpaid interest, if any, from the issue date).
Maturity Date	June 15, 2018.
Interest Rate	Euro Notes: 10.000% per annum. Dollar Notes: 9.625% per annum.
Interest Payment Dates	Semi-annually in arrears on June 15 and December 15 of each year, commencing December 15, 2011.
Form and Denomination	The Issuer will issue the Euro Notes in global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Euro Notes in denominations of less than €100,000 will not be available. The Issuer will issue the Dollar Notes in global form in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof maintained in book-entry form. Dollar Notes in denominations of less than $200,000 will not be available.
Ranking of the Notes	The Notes will be: • general senior obligations of the Issuer; • secured by first-ranking liens over the Collateral; • *pari passu* in right of payment to any existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including indebtedness incurred under the Revolving Credit Facility; • senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes; • effectively subordinated to any existing and future indebtedness of the German Holdco and its subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness;

- guaranteed by the Guarantors; and
- effectively subordinated to all obligations of any of the subsidiaries of German Holdco that are not Guarantors.

As of March 31, 2011, as adjusted to give effect to the Acquisition and the Financing, the Notes offered hereby constituted our only outstanding debt, assuming the Revolving Credit Facility will not be drawn as of the Completion Date. See *"Use of Proceeds"* and *"Capitalization"*.

Note Guarantees .... On the issue date, the Notes will be guaranteed on a senior basis by the Initial Guarantors.

As of the Completion Date, the Notes will also be guaranteed on a senior basis by the Completion Guarantors.

Following the Completion Date, the Notes will also be guaranteed on a senior basis by the Post-Completion Guarantors, no later than the earlier of (i) the date on which the relevant Post-Completion Guarantor guarantees the Revolving Credit Facility and (ii) 45 days following the Completion Date.

The Post-Completion Guarantors accounted for 86.8% of our total sales and 92.0% of our total Adjusted EBITDA in the Last Twelve Months and 84.0% of our total gross assets as of March 31, 2011.

The Post-Completion Non-Guarantors accounted for 13.2% of our total sales and 8.0% of our total Adjusted EBITDA in the Last Twelve Months and 16.0% of our total gross assets as of March 31, 2011.

The obligations of the Guarantors will be subject to legal and contractual limitations and may be released in certain circumstances. See *"Risk Factors"* and *"Description of the Notes"*.

Ranking of the Note Guarantees .. The Note Guarantee of each Guarantor will be:

- a general senior obligation of that Guarantor;
- secured by first-ranking liens over the Collateral;
- *pari passu* in right of payment to any existing and future indebtedness of that Guarantor that is not subordinated in right of payment to such Note Guarantee, including its obligations under the Revolving Credit Facility;
- senior in right of payment to all existing and future indebtedness of such Guarantor that is subordinated in right of payment to such Note Guarantee; and
- effectively subordinated to any existing and future indebtedness of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness.

Security .... On the issue date, the Notes will be secured on a first-ranking basis by the escrowed property held in the segregated escrow accounts described below under *"—Escrow of Proceeds; Special Mandatory Redemption"*.

The Issuer expects that the Notes will be secured by: (a) (i) all of the issued shares of the Issuer, German Holdco, ECB Brazil, and each of the Completion Guarantors and the Post-Completion Guarantors, (ii) certain intercompany loans and receivables of the Issuer, German Holdco and German Bidco, (iii) the bank accounts of the Issuer, German Holdco and German Bidco, and (iv) the rights of German Bidco under the Primary Acquisition Agreement, in each case, as of the Completion Date; (b) all of the issued shares of the South African JV and the Chinese JV owned, directly or indirectly, by German Holdco, in each case on the earlier of (i) the date the Revolving Credit Facility is secured by such issued shares or (ii) 45 days following the later of the date of acquisition of the shares of the South African JV and the Chinese JV (as applicable), receipt of any necessary regulatory approval or obtaining the consent of minority shareholders (if required) for the granting of such security; and (c) (i) intercompany loans and intercompany receivables of each Completion Guarantor and Post-Completion Guarantor and intercompany receivables of German Bidco from the South African JV, if any, (ii) the bank accounts of each Completion Guarantor and Post-Completion Guarantor, and (iii) certain assets of German Holdco and its subsidiaries, including certain rights under insurance policies, certain stock, inventory and machinery, certain real estate and certain intellectual property rights, in each case, as of the same date that the Revolving Credit Facility is so secured.

For more information on the security granted, see *"Description of the Notes—Security"* and for more information on potential limitations to the guarantees and the security, see *"Certain Insolvency Law Considerations and Certain Limitations on Note Guarantees and Security"*.

Subject to the terms of the Security Documents (as defined herein), the Notes and the Note Guarantees will be secured by first-ranking liens over substantially the same property and assets that will secure the obligations outstanding under the Revolving Credit Facility; *provided, however*, that the proceeds of any enforcement of the Collateral will be applied to repayment of the Revolving Credit Facility and certain hedging obligations prior to being applied to repayment of the Notes. See *"Description of Other Indebtedness—Intercreditor Agreement"*.

The security interests over the Collateral may be released under certain circumstances. Please see *"Risk Factors—The Notes, the Note Guarantees and the Collateral may be subject to release in certain circumstances"*, *"Description of Other Indebtedness—Intercreditor Agreement" and "Description of the Notes—Security—Release"*.

Use of Proceeds .... The Issuer will use the net proceeds from the Offering, together with the Equity Investment, to finance the Acquisition. See *"Use of Proceeds"*.

Intercreditor Agreement .... Each holder of a Note by accepting a Note will be deemed to have agreed to, and be bound by, the terms of the Intercreditor Agreement. The Indenture will be subject to the terms of the Intercreditor Agreement, and the rights and benefits of the holders of the Notes will be limited accordingly and subject to the terms of the Intercreditor Agreement. See *"Description of Other Indebtedness—Intercreditor Agreement"*.

Escrow of Proceeds; Special Mandatory Redemption . . . . Pending consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds of the Offering into segregated escrow accounts (the *"Escrow Accounts"*), pursuant to the terms of an escrow agreement (the *"Escrow Agreement"*) dated as of the issue date among, inter alios, the Issuer, the Trustee and the Escrow Agent.

In the event that (a) the Completion Date does not take place, (b) the Equity Investors cease to beneficially own and control, directly or indirectly (i) 100% of the issued and outstanding voting stock of the Issuer or (ii) at least a majority of the issued and outstanding capital stock of the Issuer, (c) the Primary Acquisition Agreement terminates, (d) there occurs a repudiation by the Issuer of any of its obligations under the Escrow Agreement or the Escrow Charge, or the Escrow Agreement or the Escrow Charge becomes unenforceable against the Issuer or any of its other creditors for any reason or (e) certain bankruptcy or insolvency events occur, in each case, on or prior to the Escrow Longstop Date, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the issue price of the Notes, plus accrued and unpaid interest and additional amounts, if any, from the issue date to the date of special mandatory redemption. See *"Description of the Notes—Escrow of Proceeds; Mandatory Redemption"*.

Rhône Group L.L.C., an affiliate of Rhône Capital L.L.C., will enter into an agreement with the Issuer on or prior to the issue date (the *"Rhône Group Funding Commitment"*) to commit to contribute an amount to the Escrow Accounts in the event of a special mandatory redemption, which amount represents 50% of the Overfunding Amount (as defined below). Triton Fund III L.P. and the other limited partnerships constituting Triton III acting through their respective general partners, will enter into an agreement with the Issuer on or prior to the issue date (the *"Triton Funding Commitment"*) to commit to contribute an amount to the Escrow Accounts in the event of a special mandatory redemption, which amount represents 50% of the Overfunding Amount. The *"Overfunding Amount"* will be an amount equal to the sum of (i) the interest that will accrue on the Notes from the issue date up to and including September 30, 2011, (ii) any additional amounts due on the Notes at the special mandatory redemption date and (iii) an amount equal to any other amounts, fees and expenses required to be paid under the Escrow Agreement and the Indenture. The funds from each of the Rhône Group Funding Commitment and the Triton Funding Commitment will be applied by the Trustee to provide for the payment of the Overfunding Amount, to the extent applicable, pursuant to a special mandatory redemption.

The Escrow Accounts will be controlled by, and pledged on a first-ranking basis in favor of, the Trustee for the benefit of the holders of the Notes (the *"Escrow Charge"*).

	Upon delivery to the Escrow Agent of an officer's certificate stating that the conditions to the release of the gross proceeds from escrow are satisfied, the escrowed funds will be released from the security interest created in favor of the Trustee and delivered to the Issuer and utilized as described in *"Use of Proceeds"*.
Additional Amounts	Any payments made by the Issuer or any Guarantor with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer or Guarantor is required by law to withhold or deduct for such taxes with respect to a payment to the holders of Notes, the Issuer or such Guarantor will pay the additional amounts necessary so that the net amount received by the holders of Notes after the withholding is not less than the amount that they would have received in the absence of the withholding. See *"Description of the Notes—Additional Amounts"*.
Optional Redemption	The Issuer may redeem all or part of the Notes at any time on or after June 15, 2014 at the redemption prices as described under *"Description of the Notes—Optional Redemption"*. At any time prior to June 15, 2014, the Issuer may redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, plus a "*make-whole*" premium applicable to the relevant series of Notes, as described under *"Description of the Notes—Optional Redemption"*. At any time prior to June 15, 2014, the Issuer may on one or more occasions redeem up to 35% of the aggregate principal amount of each series of Notes using the net proceeds from certain equity offerings at a redemption price equal to 110.000% of the principal amount of the Euro Notes redeemed, and at a redemption price equal to 109.625% of the principal amount of the Dollar Notes redeemed, in each case, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, provided that at least 65% of the original aggregate principal amount of the relevant series of Notes remains outstanding after the redemption. See *"Description of the Notes—Optional Redemption"*. At any time prior to June 15, 2014, the Issuer may during each twelve-month period commencing with the issue date redeem up to 10% of the original aggregate principal amount of each series of Notes at its option, from time to time, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 103% of the principal amount of the relevant series of Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See *"Description of the Notes—Optional Redemption"*.
Change of Control	If the Issuer experiences a change of control, the holders of the Notes will have the right to require the Issuer to offer to

repurchase the Notes at a purchase price equal to 101% of the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. See *"Description of the Notes—Repurchase at the Option of Holders—Change of Control"*.

Redemption for Taxation Reasons . . . . If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See *"Description of the Notes—Redemption for Changes in Taxes"*.

Certain Covenants . . . . The Indenture will limit, among other things, the ability of the Issuer and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

Each of these covenants is subject to a number of important qualifications and exceptions. See *"Description of the Notes—Certain Covenants"*.

Original Issue Discount . . . . The Notes may be issued with original issue discount for U.S. federal income tax purposes. Consequently, U.S. holders (as defined herein) may be required to include original issue discount in gross income for U.S. federal income tax purposes in advance of receipt of cash attributable to that income. See *"Certain Taxation Considerations—Material United States Federal Income Tax Consequences—Original Issue Discount"*.

Transfer Restrictions . . . . The Notes and the Note Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the Securities Act. See *"Transfer Restrictions"* and *"Plan of Distribution"*. The Issuer has not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer).

Absence of a Public Market for the Notes	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed the Issuer that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, the Issuer cannot assure that a liquid market for the Notes will develop or be maintained.
Listing and Trading	Application has been made to list the Notes on the Official List of the Irish Stock Exchange and to admit the Notes to trading on the Global Exchange Market thereof. There is no assurance, however, that this application will be accepted.
Trustee	Deutsche Trustee Company Limited.
Security Agent	UBS Limited.
Escrow Agent, Transfer Agent and Principal Paying Agent	Deutsche Bank AG, London Branch.
Registrar and Listing Agent	Deutsche Bank Luxembourg S.A.
Irish Paying Agent	Deutsche International Corporate Services (Ireland) Limited.
U.S. Paying Agent, U.S. Registrar and U.S. Transfer Agent	Deutsche Bank Trust Company Americas.
Governing Law	The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement will be governed by English law. The Security Documents will be governed by laws of the jurisdictions in which the Collateral secured under them is located.
Risk Factors	Investing in the Notes involves risks. Prior to investing in the Notes, prospective investors should consider, together with the other information set out in this offering memorandum, the factors and risks attaching to an investment in the Notes. See *"Risk Factors"*.

Summary Historical Financial Information and Other Data

The following tables set forth our summary historical financial data, as well as certain other financial and operating data. The summary historical financial data set forth below have been derived from our audited combined financial statements for each of Fiscal Year 2008, 2009 and 2010, and our unaudited condensed interim combined financial statements for each of First Quarter 2010 and 2011. This summary historical financial information and other data should be read in conjunction with and is qualified in its entirety by reference to our combined financial statements, including the notes thereto, and the information under *"Management's Discussion and Analysis of Financial Condition and Results of Operations"*, *"Presentation of Financial and Other Information"* and *"Business"*, each of which is included elsewhere in this offering memorandum.

Evonik Carbon Black has historically operated as a business line of Evonik and reported its results as part of Evonik's business unit "Inorganic Materials". The combined financial statements of Evonik Carbon Black have been prepared on a "carve-out" basis from Evonik's consolidated financial statements using the historical financial information attributable to Evonik Carbon Black and include allocations of income, expenses, assets, liabilities and cash flows from Evonik.

For the preparation of the combined financial statements it was necessary to make assumptions and estimates for carve-out adjustments. Accordingly, the combined financial statements do not necessarily reflect the financial position and performance that would have been presented if Evonik Carbon Black had already existed as an independent company during the periods presented and if the transactions between Evonik Carbon Black and other Evonik group companies had been carried out between independent companies. As a result, the combined financial statements are not necessarily indicative of the future development of the business.

The combined financial statements of Evonik Carbon Black present the financial position and performance of Evonik Carbon Black as it has existed under Evonik's ownership, which differs from the business as it will be operated after the completion of the Acquisition in various respects. See *"Presentation of Financial and Other Information"*.

Income Statement Data	**Year Ended December 31,**			**Three Months Ended March 31,**		**Twelve Months Ended March 31,**
(Euro in millions)	**2008**	**2009**	**2010**	**2010**	**2011**	**2011**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Sales	**1,186.0**	**839.5**	**1,186.2**	**280.2**	**338.9**	**1,244.9**
Cost of sales	(1,003.7)	(714.7)	(942.2)	(226.3)	(270.8)	(986.7)
Gross profit on sales	**182.3**	**124.8**	**244.0**	**53.9**	**68.1**	**258.2**
Selling expenses	(117.4)	(90.7)	(103.5)	(25.1)	(27.2)	(105.6)
Research and development expenses	(12.3)	(11.5)	(10.4)	(2.8)	(2.6)	(10.2)
General administrative expenses	(54.2)	(42.3)	(48.4)	(10.6)	(12.0)	(49.8)
Other operating expenses, net	(5.9)	(28.6)	(6.3)	(2.0)	(1.7)	(6.0)
Impairment loss on non-current assets, net of reversal of impairments	(90.9)	(108.9)	13.0	—	—	13.0
Operating profit (loss)	**(98.4)**	**(157.2)**	**88.4**	**13.4**	**24.6**	**99.6**
Interest expense, net	(14.1)	(11.5)	(16.4)	(3.0)	(4.9)	(18.3)
Result from investments recognized at equity	0.4	0.4	0.4	0.1	0.1	0.4
Profit (loss) before taxes	**(112.1)**	**(168.3)**	**72.4**	**10.5**	**19.8**	**81.7**
Income taxes	8.7	4.6	(29.1)	(3.0)	(6.6)	(32.7)
Profit (loss) after taxes	**(103.4)**	**(163.7)**	**43.3**	**7.5**	**13.2**	**49.0**

Balance Sheet Data	**As of December 31,**			**As of March 31,**
(Euro in millions)	**2008**	**2009**	**2010**	**2011**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**
Cash and cash equivalents	11.3	10.2	28.1	16.8
Net working capital(1), (12)	321.2	240.7	289.7	335.8
Property, plant and equipment	342.6	338.4	368.0	353.0
Total assets	1,111.3	935.0	1,084.7	1,068.1
Total liabilities	468.2	468.5	666.8	636.2
Total invested equity	643.1	466.5	417.9	431.9

Cash Flow Statement Data	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
(Euro in millions)	2008	2009	2010	2010	2011	2011
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from (used in) operating activities	(40.9)	81.6	47.5	(24.5)	(22.0)	50.0
Change in net working capital[1], [12]	*(39.0)*	*80.7*	*(49.1)*	*(47.2)*	*(46.2)*	*(48.1)*
Cash flow from (used in) investing activities	(38.6)	(19.7)	(28.6)	(1.6)	(6.2)	(33.2)
Cash flow from (used in) financing activities	87.8	(63.5)	(2.7)	18.5	17.8	(3.4)
Change in cash and cash equivalents	**8.3**	**(1.6)**	**16.2**	**(7.6)**	**(10.4)**	**13.4**
Changes in exchange rates and other changes in cash and cash equivalents	(1.3)	0.5	1.7	0.4	(0.9)	0.4
Cash and cash equivalents at the beginning of the period	4.3	11.3	10.2	10.2	28.1	3.0
Cash and cash equivalents at the end of the period	**11.3**	**10.2**	**28.1**	**3.0**	**16.8**	**16.8**

Other Financial Data	Year Ended December 31,			Three Months Ended March 31,		As of and for the Twelve Months Ended March 31,
(Euro in millions, except as otherwise indicated)	2008	2009	2010	2010	2011	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Adjusted EBITDA[2]	97.0	65.3	152.3	31.0	43.2	164.5
Raw material margin[3]	413.2	355.9	497.3	106.6	123.5	514.2
Raw material margin per ton (in €/ton)[3]	366.1	369.0	449.2	382.1	414.6	456.6
Depreciation and amortization[4]	62.9	47.1	47.4	11.5	11.8	47.7
Capital expenditures[5]	38.6	20.5	29.3	1.7	6.3	33.9
Pro forma data						
Pro forma cash and cash equivalents[6]						28.1
Pro forma net debt[7]						571.9
Pro forma interest expense[8]						61.0
Pro forma net debt[7]/Adjusted EBITDA[2]						3.5x
Adjusted EBITDA[2]/pro forma interest expense[8]						2.7x

Product Line Data[9]	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
(Euro in millions, except as otherwise indicated)	2008	2009	2010	2010	2011	2011
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
Volume (in kmt)						
Pigment black[12]	177.2	149.8	189.0	46.7	51.0	193.3
Rubber black[12]	951.4	814.5	918.2	232.3	246.9	932.8
Total volume[12]	**1,128.6**	**964.4**	**1,107.2**	**279.0**	**297.9**	**1,126.1**
Sales						
Pigment black	305.7	240.9	347.7	81.8	99.9	365.8
Rubber black	880.3	598.6	838.5	198.4	239.0	879.1
Total sales	**1,186.0**	**839.5**	**1,186.2**	**280.2**	**338.9**	**1,244.9**
Gross profit						
Pigment black	96.5	72.5	132.8	28.2	38.4	143.0
Rubber black	123.3	62.2	120.8	28.2	31.9	124.5
Unallocated expenses, net[10], [12]	(37.5)	(9.9)	(9.6)	(2.5)	(2.2)	(9.3)
Total gross profit	**182.3**	**124.8**	**244.0**	**53.9**	**68.1**	**258.2**
EBITDA[2]						
Pigment black	56.5	41.6	95.6	21.4	27.7	101.9
Rubber black	48.4	(0.2)	48.2	7.6	13.7	54.3
Unallocated expenses, net[11], [12]	(49.5)	(42.6)	(21.0)	(4.1)	(5.0)	(21.9)
Total EBITDA[12]	55.4	(1.2)	122.8	24.9	36.4	134.3
Adjustments[12]	41.7	66.5	29.5	6.1	6.8	30.2
Total Adjusted EBITDA[12]	**97.0**	**65.3**	**152.3**	**31.0**	**43.2**	**164.5**

Sales by Region	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
(Euro in millions)	2008	2009	2010	2010	2011	2011
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
Europe	490.0	323.4	428.4	109.3	128.3	447.4
North America	280.5	185.0	259.8	63.3	74.0	270.5
South Korea	155.9	126.2	191.3	44.3	50.3	197.3
China	57.1	69.8	85.4	19.2	22.6	88.8
South Africa	54.2	47.1	63.5	14.0	18.5	68.0
Brazil	58.0	27.2	44.2	10.0	13.1	47.3
Other	90.3	60.8	113.6	20.1	32.1	125.6
Total Sales	**1,186.0**	**839.5**	**1,186.2**	**280.2**	**338.9**	**1,244.9**

(1) Net working capital means inventories plus trade accounts receivable minus trade accounts payable.

(2) EBITDA represents operating profit (loss) before depreciation, amortization, impairment losses and income from the reversal of impairments. Adjusted EBITDA represents EBITDA as adjusted for non-recurring items, corporate center charges related to Evonik's head office services, incremental stand-alone costs, hedging losses from our discontinued commodity hedging strategy, EBITDA from Evonik's non-consolidated worldwide sales offices to the extent related to the sale and distribution of carbon black, and savings related to the closed Botlek (the Netherlands) plant. Different companies and analysts may calculate EBITDA-based measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of our operations in accordance with IFRS. See *"Presentation of Financial and Other Information"*.

The following table reconciles our operating profit (loss) for the period to Adjusted EBITDA:

Reconciliation of Adjusted EBITDA	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
(Euro in millions)	2008	2009	2010	2010	2011	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating profit (loss)	(98.4)	(157.2)	88.4	13.4	24.6	99.6
Depreciation and amortization	62.9	47.1	47.4	11.5	11.8	47.7
Impairment loss on non-current assets, net of reversal of impairments	90.9	108.9	(13.0)	—	—	(13.0)
EBITDA	55.4	(1.2)	122.8	24.9	36.4	134.3
Non-recurring items[(a)]	3.2	26.0	3.5	0.1	1.1	4.5
Corporate center charges[(b)]	22.5	16.6	16.8	3.9	3.5	16.4
Incremental stand-alone costs[(c)]	(7.4)	(7.4)	(7.4)	(1.9)	(1.9)	(7.4)
Discontinued hedging strategy losses[(d)]	16.7	26.2	—	—	—	—
Non-consolidated sales offices EBITDA[(e)]	6.6	5.1	8.0	1.9	1.9	8.0
Closed Botlek plant savings[(f)]	—	—	8.6	2.0	2.2	8.8
Adjusted EBITDA	**97.0**	**65.3**	**152.3**	**31.0**	**43.2**	**164.5**

(a) Non-recurring items mainly consist of costs and provisions relating to restructuring measures, plant closures and the Separation. In Fiscal Year 2008, non-recurring items mainly consisted of costs related to the shut down of the Aransas Pass (Texas) plant and the Akron (Ohio) technical center (€3.0 million). In Fiscal Year 2009, non-recurring items mainly consisted of a provision taken in connection with the closure of the Botlek (the Netherlands) plant (€18.7 million), costs related to restructuring measures taken in Germany (€4.0 million) and costs related to the shut down of the Aransas Pass (Texas) plant and the Akron (Ohio) technical center (€0.7 million). In Fiscal Year 2010 and First Quarter 2011, non-recurring items mainly consisted of costs related to the Separation (€1.7 million and €1.1 million, respectively).

(b) Corporate center charges primarily consist of charges related to Evonik's head office services, including executive oversight, marketing, human resources, environmental, health and safety, legal, treasury, information technology and accounting services. These services relate to the corporate level of Evonik rather than individual business lines. Evonik does not normally assign these charges to individual business lines, but to its reportable segments. For the preparation of the combined financial statements of Evonik Carbon Black, however, these charges have been allocated to Evonik Carbon Black based on allocation principles applied by Evonik. We do not believe that the allocation of these charges to the carbon black business line reflects the actual level of usage of such services, nor the level of costs likely to be borne on a stand-alone basis.

(c) Incremental stand-alone costs refer to the additional costs that we expect to incur as a stand-alone entity. For the preparation of the combined financial statements of Evonik Carbon Black, a share of Evonik's back office administration and functional service charges have been allocated to Evonik Carbon Black based on allocation principles applied by Evonik. These service charges are different from the corporate center charges described under (b) above and relate to services directly used by the individual business lines. These include financial reporting, human resources, treasury, information technology, accounting, legal, tax, administration, facility management, office, procurement, process technology and engineering services, all of which we believe are likely to be required on a stand-alone basis. In addition to the allocated charges that are reflected in our financial statements, we expect to incur incremental stand-alone costs for the replacement of certain central support services currently provided by Evonik, the addition of new staff and the transfer of certain staff from Evonik's sales offices, and the renewal and expansion of insurance coverage. We estimate that we would have incurred incremental stand-alone costs of €7.4 million for each of Fiscal Year 2010 and the Last Twelve Months had the Acquisition been completed at the beginning of those periods, based on our acquisition diligence and assumptions and estimates that we believe are reasonable for the periods presented. We have used the same incremental stand-alone costs of €7.4 million for each of Fiscal Year 2008 and 2009, and used the pro-rated incremental stand-alone costs of €1.9 million for each of First Quarter 2010 and 2011. See *"Risk Factors—Risks Related to the Transactions—Our historical financial information may not be representative of the results we would have achieved as a stand-alone company and may not be a reliable indicator of our future results"*.

Following the completion of the Acquisition, Evonik will provide support to us with respect to certain corporate functions on a transitional basis. See *"The Transactions—Transitional Services Agreement"*. During the transition phase, we will incur additional costs to develop our own internal support functions. We have not made adjustments to any periods to reflect our estimated one-off transition costs associated with developing the internal support functions necessary to operate on a stand-alone basis. We estimate that these one-time costs will amount to approximately €15.0 million to be incurred over a twelve-month period following the Completion Date. These costs primarily reflect one-off information technology, insurance, and personnel-related costs. See *"Risk Factors—Risks Related to the Transactions—We have no history operating as an independent company and will incur significant expenses to create the corporate infrastructure necessary to operate as an independent company. The transitional services that Evonik will provide to us following the Acquisition may not be sufficient to meet our needs, which could result in increased costs"*.

(d) Discontinued hedging strategy losses represents losses from our commodity hedging activities under our previous hedging strategy, which was discontinued in the beginning of 2009. In 2008, we increased our hedging activities using swap agreements to mitigate the risk of steadily increasing oil prices. Under the swap agreements, we would receive payments in the event of an increase in oil prices, but would be required to make payments if oil prices decreased. The tenor and volumes of these agreements varied, with the longest of these swaps running through to the end of 2009. Due to the start of the economic crisis in the second half of 2008, oil prices decreased, resulting in significant losses from hedging during the course of 2008 and 2009. Because our previous hedging strategy only hedged against oil price increases, there was no offsetting position as used in spread hedging strategies. In 2010, we began to implement our new hedging strategy. The new hedging strategy focuses on hedging the risk from the time lag between oil purchases and the pass through of changed oil purchase costs to the sales price. The strategy is strictly focused on systematic hedging and limiting losses or gains as a result of movements in oil prices during this time lag.

(e) Non-consolidated sales offices EBITDA represents EBITDA from Evonik's worldwide sales offices to the extent related to the sale and distribution of carbon black. Historically, carbon black products have been sold either through integrated sales functions within Evonik Carbon Black entities or through a number of Evonik's sales offices acting as agents or distributors for Evonik Carbon Black. The relevant legal entities carrying out the sales functions of Evonik will not be part of the Acquisition. As a result, our sales to Evonik's sales offices have been reported in our combined financial statements at prices that we would also enter into with third party agents or distributors. The EBITDA realized by Evonik's worldwide sales offices has not been included in our combined financial statements. Following the completion of the Acquisition, we plan to integrate the sales force of Evonik's sales offices into our business with the intent of realizing the EBITDA of Evonik's worldwide sales offices to the extent related to the sale and distribution of carbon black.

(f) In September 2010, our Botlek (the Netherlands) plant was shut down. In connection with the closure of the Botlek (the Netherlands) plant, production and sales volumes have been shifted to our other European carbon black plants, without incurring any material fixed cost of sales increases at such plants. Closed Botlek plant savings include (i) the fixed cost of sales of the Botlek (the Netherlands) plant prior to closure of the plant for the period from January 1, 2010 until August 31, 2010 (€5.4 million), and (ii) the negative EBITDA (before intercompany reimbursements) of the Botlek (the Netherlands) plant after closure of the plant for the periods from September 1, 2010 until December 31, 2010 (€3.2 million) and January 1, 2011 until March 31, 2011 (€2.2 million). ECB Netherlands, the Dutch legal entity holding the Botlek (the Netherlands) plant, will not be part of the Acquisition.

(3) Raw material margin represents sales less cost of raw materials, supplies and purchased commodities (excluding discontinued hedging strategy losses of €16.7 million in Fiscal Year 2008 and €26.2 million in Fiscal Year 2009). Raw material margin per ton represents raw material margin divided by sales volume in tons. We believe raw material margin can provide a useful basis for comparing the current performance of the underlying operations being evaluated, because our sales are strongly impacted by fluctuations in raw material costs, in particular the cost of carbon black oil, our principal feedstock. Different companies and analysts may calculate raw material margin differently, so making comparisons among companies on this basis should be done very carefully. Raw material margin is not a measure of performance under IFRS and should not be considered in isolation or construed as a substitute for operating profit or net profit as an indicator of our operations in accordance with IFRS. See *"Presentation of Financial and Other Information"*.

(4) Depreciation amounted to €49.9 million, €36.0 million, €38.4 million, €9.3 million, €9.8 million and €38.9 million for each of Fiscal Year 2008, 2009 and 2010, First Quarter 2010 and 2011, and the Last Twelve Months, respectively. Amortization amounted to €13.0 million, €11.1 million, €9.0 million, €2.2 million, €2.0 million and €8.8 million for each of Fiscal Year 2008, 2009 and 2010, First Quarter 2010 and 2011, and the Last Twelve Months, respectively.

(5) Capital expenditures include both maintenance and non-recurring capital expenditures. Maintenance capital expenditures amounted to €31.7 million, €16.7 million, €21.0 million, €1.4 million, €4.6 million and €24.2 million for each of Fiscal Year 2008, 2009 and 2010, First Quarter 2010 and 2011, and the Last Twelve Months, respectively. Non-recurring capital expenditures, mainly to increase capacity and efficiency, amounted to €6.9 million, €3.8 million, €8.3 million, €0.3 million,

€1.7 million and €9.7 million for each of Fiscal Year 2008, 2009 and 2010, First Quarter 2010 and 2011, and the Last Twelve Months, respectively.

(6) Pro forma cash and cash equivalents represents the estimated cash and cash equivalents on an assumed Completion Date of June 30, 2011, after giving effect to the Acquisition and the Financing, including the Offering contemplated hereby and the application of the proceeds thereof. See *"Use of Proceeds"* and *"Capitalization"*. Pro forma cash and cash equivalents consists of €24.7 million of estimated over-funded cash for operations and €3.4 million of estimated excess proceeds from the Notes offered hereby. Actual cash and cash equivalents may differ significantly from our pro forma estimate depending on several factors, including the development of earnings, net working capital, fuel oil prices and exchange rates until the Completion Date, which may impact our estimated existing net debt of €335.5 million on an assumed Completion Date of June 30, 2011. Based on the actual existing net debt of €303.5 million as of March 31, 2011 (excluding net debt of ECB Netherlands and ECB Holding United States, which will not be transferred as part of the Acquisition, and excluding derivatives and employee loans), our estimated pro forma cash and cash equivalents would have been €60.1 million.

(7) Pro forma net debt represents pro forma debt minus pro forma cash and cash equivalents. Pro forma debt represents the estimated debt on an assumed Completion Date of June 30, 2011, after giving effect to the Acquisition and the Financing, including the Offering contemplated hereby and the application of the proceeds thereof. Pro forma debt reflects the €600.0 million (equivalent) aggregate principal amount of the Notes offered hereby, consisting of €355.0 million of Euro Notes and $350.0 million of Dollar Notes. For purposes of calculating pro forma debt, the principal amount of the $350.0 million Dollar Notes issued in the Offering has been translated at an exchange rate of $1.4252 per €1.00 (as reported by Bloomberg on June 17, 2011) and has been rounded down to the nearest million for presentational purposes. This exchange rate may differ from the exchange rate in effect as of the date the Dollar Notes are issued.

(8) Pro forma interest expense represents the interest expense on the pro forma debt, assuming the Offering contemplated hereby occurred on March 31, 2010, and excluding amortization of deferred financing costs and commitment fees on undrawn amounts under the Revolving Credit Facility. The pro forma interest expense on the Dollar Notes has been converted into Euro using an average exchange rate of $1.3235 per €1.00 for the twelve months ended March 31, 2011. The exchange rate of the Euro to the U.S. Dollar as reported by Bloomberg on June 17, 2011 was $1.4252 per €1.00.

(9) Our business can be divided between the following two product lines, pigment black and rubber black. The allocation of income and expenses to the product lines is based on agreed procedures as set forth in the notes to our combined financial statements, included elsewhere in this offering memorandum. Certain income and expenses are not allocated to the individual product lines. These include income and expenses that (a) management considers extraordinary and non-recurring, (b) relate to corporate center charges, or (c) result from the purchase price allocation in connection with the asset push-down from the acquisition of the former Degussa group by a predecessor of Evonik.

Extraordinary and non-recurring items mainly consist of inventory write-downs, divestments, restructuring measures and plant closures.

Corporate center charges primarily consist of Evonik's head office services, including executive oversight, marketing, human resources, environmental, health and safety, legal, treasury, information technology and accounting services. Evonik does not normally assign these charges to individual business lines, but to its reportable segments. For the preparation of the combined financial statements of Evonik Carbon Black, however, these charges have been allocated to Evonik Carbon Black based on allocation principles applied by Evonik. We do not believe that the allocation of these charges to the carbon black business line reflects the actual level of usage of such services, nor the level of costs likely to be borne on a stand-alone basis.

The purchase price in connection with the asset push-down from the acquisition of the former Degussa group by a predecessor of Evonik in 2003, historically allocated to Evonik's business unit "Inorganic Materials", has been allocated to Evonik Carbon Black based on the proportion of the enterprise value of Evonik Carbon Black to the enterprise value of Evonik's business unit "Inorganic Materials".

(10) Gross profit unallocated expenses, net represents certain income and expenses that are not allocated to the gross profit of the individual product lines. Unallocated expenses mainly consist of (a) an extraordinary and non-recurring inventory write-down (€24.2 million in Fiscal Year 2008) and (b) depreciation of the allocated purchase price in connection with the asset push-down from the acquisition of the former Degussa group by a predecessor of Evonik (€12.3 million in Fiscal Year 2008, €10.5 million in Fiscal Year 2009, €8.9 million in Fiscal Year 2010, €2.2 million in First Quarter 2010, €2.0 million in First Quarter 2011 and €8.7 million in the Last Twelve Months).

(11) EBITDA unallocated expenses, net represents certain income and expenses that are not allocated to the EBITDA of the individual product lines. Unallocated expenses mainly consist of (a) an extraordinary and non-recurring inventory write-down (€24.2 million in Fiscal Year 2008), (b) expenses relating to extraordinary and non-recurring divestments, restructuring measures and plant closures (€3.0 million in Fiscal Year 2008 relating to the closure of the Aransas Pass (Texas) plant and the Akron (Ohio) technical center, €18.7 million and €4.8 million in Fiscal Year 2009 relating to the closure of the Botlek (the Netherlands) plant and restructuring measures in Germany, respectively, and €1.9 million in Fiscal Year 2010, €1.1 million in First Quarter 2011 and €3.0 million in the Last Twelve Months relating to divestments), and (c) corporate center charges (€22.5 million in Fiscal Year 2008, €16.6 million in Fiscal Year 2009, €16.8 million in Fiscal Year 2010, €3.9 million in First Quarter 2010, €3.5 million in First Quarter 2011 and €16.4 million in the Last Twelve Months).

(12) Unaudited.

RISK FACTORS

An investment in the Notes entails risks. There are a number of factors, including those specified below, that may adversely affect our ability to make payments under the Notes. You could therefore lose a substantial portion or all of your investment in the Notes. Consequently, an investment in the Notes should be considered only by persons who can assume such risk. You should note that the risks described below are not the only risks that we face. The risks described below are all risks we consider to be material. However, there may be additional risks that we currently consider immaterial or of which we are currently unaware, and any of these risks could have the effects set forth above. Our business, financial condition and results of operations could be materially adversely affected by any of these risks.

Risks Related to Our Business

Negative or uncertain worldwide economic conditions may adversely impact our business, financial condition, results of operations and cash flows.

Our operations and performance are materially affected by worldwide economic conditions. Because carbon black is used in a diverse group of end products, demand for carbon black has historically been related to real GDP and general global economic conditions. In particular, a large part of our sales has direct exposure to the cyclical automotive industry and, to a lesser extent, the construction industry. As a result, our business experiences a level of inherent cyclicality. The nature of our business and our large fixed asset base make it difficult to rapidly adjust our fixed costs downward when demand for our products declines, which could materially affect our profitability. A global economic downturn may reduce demand for our products, which would decrease our revenues and could have a material adverse effect on our business, financial condition, results of operations and cash flows. For example, our results of operations dropped sharply in the wake of the global financial and economic crisis in the second half of 2008 and 2009. In periods with significant market turmoil and tightened credit availability, we may also experience difficulty in collecting accounts receivable, pricing pressure and reduced global business activity.

The volatility and cyclicality in the industries in which we operate may adversely affect our business, financial condition, results of operations and cash flows.

Our business is influenced by structural changes in the industries in which we operate, such as the entry of new suppliers, product substitution, changing technologies, industry consolidation and the migration of customers to lower-cost countries. Some of our customers have in the past shifted, and may continue to shift, manufacturing capacity from mature regions, such as North America and Europe, to emerging regions, such as Asia and South America. Although we have strategies in place to meet these changes in demand, we cannot be certain that we will be able to successfully expand capacity in emerging regions, which depends in part on economic and political conditions in these regions and on our ability to establish operations, construct additional manufacturing capacity or form strategic business alliances. Over the last few years, competitors in China have aggressively added capacity at a far greater rate than demand has risen, which has resulted in pressured margins in the region. In addition, we may not be successful in reducing capacity in mature regions commensurate with industry demand. Similarly, demand for our customers' products and our competitors' reactions to market conditions could affect our financial results. Our business is also sensitive to changes in industry capacity utilization. Prices tend to decrease when capacity utilization decreases, which could affect our financial results.

We are subject to volatility in the costs and availability of raw materials and energy, which could decrease our margins and adversely affect our business, financial condition, results of operations and cash flows.

Our manufacturing processes consume significant amounts of raw materials and energy, the costs of which are subject to worldwide supply and demand as well as other factors beyond our control. In Fiscal Year 2010, raw materials accounted for approximately 70% of the total manufacturing cost of the final product. Approximately 90% of the raw material used in the production of carbon black is an oil-based feedstock known as carbon black oil, with some limited use of other materials, such as nitrogen tetroxide, hydrogen and natural gas. We obtain a considerable portion of our raw materials and energy from selected key suppliers. If any of these suppliers is unable to meet its obligations under supply agreements with us, we may be forced to incur higher costs to obtain the necessary raw materials and energy elsewhere or, in certain limited cases, may not be able to obtain carbon black oil or raw materials at all. Our inability to source quality raw materials or energy in a timely fashion and pass through cost increases to our customers could have an adverse impact on our business, financial condition, results of operations and cash flows.

Most of our carbon black supply contracts contain provisions that adjust prices to account for changes in a relevant feedstock price index. We have a proactive price and contract management strategy, which supports our efforts to preserve margins via pass-through of feedstock cost increases to customers, and a hedging strategy to reduce the impact of raw material and energy price volatility. We attempt to offset the effects of increases in raw material costs and energy through contracts with formally driven price adjustment mechanisms for changes in raw material cost, selling price increases in our non-contract sales, productivity improvements and cost reduction efforts. Success in offsetting increased raw material and feedstock costs with price increases is largely influenced by competitive and economic conditions and could vary significantly, depending on the segment served. Such increases may not be accepted by our customers, may not be sufficient to compensate for increased raw material and energy costs or may decrease demand for our products and our volume of sales. If we are not able to fully offset the effects of increased raw material or energy costs, it could have a material adverse effect on our business, financial condition, results of operations and cash flows. Further, volatility in costs and pricing could result in commercial disputes with suppliers and customers regarding the interpretations of complex contractual pricing arrangements, which could adversely affect our business.

Significant movements in the market price for crude oil tend to create volatility in our carbon black feedstock costs, which can affect our net working capital and results. Changes in raw material and energy prices have a direct impact on our net working capital levels. In general, increases in the cost of raw materials lead to an increase in our net working capital requirements, as our inventories and trade receivables increase as a result of higher carbon black oil price and related sales price levels, partially offset by an increase in trade payables. Due to the quantity of carbon oil that we typically keep in stock, this increase occurs gradually over a period of three months. Conversely, decreases in the cost of raw materials lead to a decrease in our net working capital requirements within a three-month period following the decrease in costs. Net working capital swings are particularly significant in an environment of high price volatility. For example, the negative impact on our net working capital requirements became visible in 2008 when oil prices increased rapidly. In case of a pronounced increase in the price of crude oil, there can be no assurance that our existing working capital financing would be sufficient. In such a case, we would be required to either limit our business operations or obtain additional working capital financing. We may not be able to obtain such financing at attractive rates or at all, or may be restricted under our existing debt instruments to obtain such financing. Our inability to finance our net working capital requirements could have an adverse impact on our business, financial condition, results of operations and cash flows.

Our business is subject to operational risks, which could adversely affect our business, financial condition, results of operations and cash flows.

Our operations are subject to hazards inherent in chemicals manufacturing and the related use, storage, transportation and disposal of feedstocks, products and wastes, including but not limited to: fires and explosions; accidents; severe weather and natural disasters, including hurricanes, tornados, ice storms, floods and earthquakes; mechanical failures; unscheduled downtime at our production facilities; transportation interruptions; pipeline leaks and ruptures; quality problems; technical difficulties; discharges or releases of toxic or hazardous substances or gases; other environmental risks; and sabotage, terrorist attacks or other acts of violence.

Such events could disrupt our supply of raw materials or otherwise affect production, transportation and delivery of our products or affect demand for our products. We could incur significant expenditures in connection with such operational risks. These may be caused both by external factors, such as natural disasters, war, acts of terrorism, strikes, official orders, technical interruptions or material defects, or accidents or other mistakes in internal procedures, such as fire, explosion or release of toxic or hazardous substances. In all of these cases, humans, third-party property or the environment may sustain damage, resulting in material financial liabilities and civil or criminal law consequences, as well as the temporary or permanent closure of the relevant production site or power plant.

We are dependent on major customers for a significant portion of our sales, and a significant adverse change in a customer relationship could adversely affect our business, financial condition, results of operations and cash flows.

Customer concentration is driven by the consolidated nature of the industries we serve. In Fiscal Year 2010, our top ten customers accounted for approximately 50% of our total sales. The top five customers in each of our pigments, tires and mechanical rubber goods businesses represented approximately 21%, 70% and 25% of our pigments, tires and mechanical rubber goods sales, respectively. Our success in strengthening relationships and growing business with our largest customers and retaining their business over extended time periods could affect our future results. The loss of any of our major customers, or a reduction in volumes sold to them, could adversely affect our results of operations until such business is replaced. Any deterioration in the financial condition of any of our customers or the industries they serve that impairs our customers' ability to make payments to us could increase our uncollectible receivables and could adversely affect our business, financial condition, results of operations and cash flows.

We may not be able to compete successfully in the industries in which we operate.

The industries in which we operate are highly competitive and this competition could harm our business, results of operations, cash flow and financial condition. Competition is based on price, product innovation, product quality, distribution capability, and industry and customer knowledge. We face competition from global, regional and local suppliers, both in developed and emerging regions. More recently, a significant percentage of tire demand is met by imports from, and a shift in production to, low-cost emerging regions. This has adversely impacted utilization rates of carbon black producers in developed regions and resulted in plant closures. While we aim to operate at low cost and are focused on reducing our fixed and variable cost base across our production chain, there may be improvements in the cost competitiveness of other manufacturers relative to us or in the performance properties of substitutable products, which could adversely affect our business. Furthermore, some of our competitors have greater financial and other resources and larger capitalization than we do. If we are unable to respond successfully to changing competitive conditions, the demand for our products could be affected. In addition, in the event the Chinese JV and the South African JV are not transferred as part of the Acquisition, we may face competition from these businesses going forward, as they continue to be entitled to use our know-how and other intellectual property and will not be subject to non-compete agreements.

We may not successfully develop new products and technologies that address our customers' changing requirements or competitive challenges, and our customers may substitute carbon black with other products that we do not offer.

The industries into which we sell our products are subject to periodic technological changes, ongoing product improvements, product substitution and changes in customer requirements. Increased competition from existing or newly developed products offered by our competitors or companies whose products offer a similar functionality to our products may negatively affect demand for our products. We work to identify, develop and market innovative products on a timely basis to meet our customers' changing requirements and competitive challenges. Should we not be able to substantially maintain or further develop our product portfolio, customers may elect to source comparable products from competitors, which could have a detrimental impact on our business, financial condition, results of operations and cash flows.

Although carbon black continues to offer significant opportunities for product and process innovation, we cannot be certain that the investments we make in our application technology department and research and development department will result in proportional increases in revenues or profits. In addition, the timely commercialization of products that we are developing may be disrupted or delayed by manufacturing or other technical difficulties, industry acceptance or insufficient industry size to support a new product, competitors' new products, and difficulties in moving from the experimental stage to the production stage. These disruptions or delays could adversely affect our business, financial condition, results of operations and cash flows.

As a reinforcing agent in rubber, carbon black competes primarily with precipitated silica in combination with silane, which is not part of our product portfolio. Historically, silica has offered some performance benefits over carbon black in the area of rolling resistance. To date, silica-based tire applications have gained only limited application, principally in European passenger car treads. Although substitution has not been large yet due to carbon black's cost advantage, technological advances and changing customer requirements may lead to increased demand for silica-based tires, especially in developed regions. For example, Evonik announced in 2010 plans to significantly increase its capacity for precipitated silica to satisfy increasing demand. Increased substitution and competition from precipitated silica producers, including Evonik, could adversely affect our business, financial condition, results of operations and cash flows. If we should decide to include precipitated silica in combination with silane in our product portfolio in the future, we may be restricted in our ability to do so under our intellectual property sharing arrangements with Evonik.

Alternative materials, procedures or technologies may be developed, or existing ones may be improved, and replace those currently offered in the carbon black industry. If such newly developed or improved products are being offered at lower prices, have preferable features or other advantages, in particular from a regulatory perspective, and we are not able to offer similar new or improved products, we may lose substantial business, which could have an adverse affect on our business, financial condition, results of operations and cash flows.

We may be unable to implement our business strategies.

Our future financial performance and success largely depend on our ability to implement our business strategies successfully. We have undertaken, and will continue to undertake, various initiatives to realign our product portfolio away from standard pigment and rubber black products to higher margin applications, and we continue to focus on cost reduction initiatives to optimize our asset base, improve operating efficiencies and generate cost savings. We cannot assure you that we will successfully implement our business strategies or that implementing these strategies will sustain or improve and not harm our results of operations. In particular, we may not be able to increase our manufacturing efficiency or asset utilization, enhance our current portfolio of products or achieve other fixed or variable cost savings. In addition, the costs involved in implementing our strategies may be significantly greater than we currently anticipate. For example, our ability to complete capacity expansions as planned may be delayed or interrupted by the need to obtain environmental and other regulatory approvals, the availability of labor and materials, unforeseen hazards, such as weather conditions, and other risks customarily associated with construction projects. Moreover, the cost of expanding capacity could have a negative impact on our financial results until capacity utilization is sufficient to absorb the incremental costs associated with the expansion.

Our business strategies are based on our assumptions about future demand for our products and the new products and applications we are developing and on our continuing ability to produce our products profitably. Each of these factors depends, among other things, on our ability to realign our product portfolio, divest businesses or discontinue product lines on favorable terms and with minimal disruptions, finance our operations and product development activities, maintain high-quality and efficient manufacturing operations, relocate and close certain manufacturing facilities with minimal disruption to our operations, respond to competitive and regulatory changes, access quality raw materials in a cost-effective and timely manner, and retain and attract highly skilled technical, managerial, marketing and finance personnel. Any failure to develop, revise or implement our business strategies in a timely and effective manner may adversely affect our business, financial condition, results of operations and cash flows.

Any failure to realize benefits from investments, joint ventures, acquisitions or alliances could adversely affect our business, financial condition, results of operations and cash flows.

We have made, and may continue to make, investments and acquisitions and enter into joint ventures. The success of acquisitions of new technologies, companies and products, or arrangements with third parties is not always predictable and we may not realize our anticipated objectives. Many of our investments require high initial expenditures as well as ongoing expenditures for modernization and expansion. Such investments can only be operated profitably if their utilization is warranted by corresponding demands. Should we build up overcapacities that remain unused due to erroneous assessments of the market development, this could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our operations are subject to environmental and safety regulations, and we may incur significant costs to maintain compliance with, and to address liabilities under, these laws and regulations.

We are subject to extensive domestic, foreign, federal, state and local laws and regulations governing environmental protection and occupational safety. The production and processing of carbon black and other chemicals involve the handling, transportation, manufacture and use of substances or components that may pose environmental risks or be considered toxic or hazardous under these laws. We are also required to obtain permits from various regulatory authorities for our operations. If we violate or otherwise fail to comply with these laws, regulations or permits, we may incur fines or other sanctions from one or more of these regulatory authorities.

If environmental harm is found to have occurred as a result of our current or historical operations, we may be required to incur significant remediation costs at our current or former production facilities or at third-party sites. Many of our facilities have a long history of operation, which may contribute to our environmental compliance and remediation costs. For instance, many of our facilities have onsite landfills that have been in use for a number of years, and we may incur significant costs when these landfills reach capacity in order to close them in accordance with applicable laws and regulations and to address contamination of soil and groundwater at, under or migrating from the facilities. We may also incur additional closure and cleanup costs in connection with the closure of some of our plants. In addition, during 2008 and 2009, the U.S. Environmental Protection Agency (*"EPA"*) contacted major U.S. carbon black producers, requesting extensive and comprehensive information under Section 114 of the Clean Air Act. Our Belpre (Ohio) facility was an initial subject of these investigations and has received notices from the EPA alleging violations of our permits under the Clean Air Act. Process and operational modifications over time at our other U.S. facilities are also being investigated by the EPA under Section 114 of the Clean Air Act. We have furnished information to the EPA on each of our U.S. facilities, including plant improvements and production emissions, and while we have a limited indemnity from Evonik against certain fines and costs arising under the Clean Air Act, we may be subject to further enforcement action and/or civil or judicial penalties and may be required to make capital expenditures in connection with air emissions at our U.S. facilities.

Environmental and safety regulations are subject to frequent change, as are the priorities of those who enforce them, and we could incur substantial costs to comply with future laws and regulations. Chemicals that are currently classified as harmless may be classified as dangerous in the future, and product characteristics that are not known today may cause health impairments. A negative re-classification of carbon black, or the discovery of adverse health effects attributable to its production or use, could require us to incur significantly higher costs to comply with environmental, health and safety laws and could adversely affect our reputation and business. See *"Business—Environmental, Health and Safety Matters"*.

Developing regulation of carbon black as a nanomaterial could require us to comply with costly new requirements.

Carbon black is considered a nanoscale material at points in the production process. The EPA is currently developing a regulatory approach under which it will collect further data on nanoscale materials, including carbon black, under the Toxic Substances Control Act. The EPA has proposed rules that would require manufacturers of nanoscale materials to submit additional manufacturing information, exposure and release information and available health and safety data. The EPA and other nations' environmental regulatory authorities, including the European Commission, are also conducting extensive environmental health and safety testing of nanoscale materials. If carbon black is found to be harmful to humans or to the environment, it could be subject to more stringent regulatory control, which could require us to incur significantly higher costs to comply with new environmental, health and safety laws and could adversely affect our reputation and business. See *"Business—Environmental, Health and Safety Matters"*.

Regulations requiring a reduction of greenhouse gas emissions could adversely affect our business, financial condition, results of operations and cash flows.

Significant volumes of carbon dioxide (*"CO_2"*), a greenhouse gas, are emitted in carbon black manufacturing processes. In December 2005, the European Commission published a directive that includes carbon black manufacturing in the combustion sector and in Phase II of the Emissions Trading Scheme for greenhouse gases for the period 2008 to 2012. The European Commission has developed allowable emission credits for Phase III of the Emissions Trading Scheme, which will apply for the period 2013 to 2020. Various European Union member states have included carbon black facilities in their national allocation plans, and we have taken actions to comply with applicable CO_2 emission requirements. However, there can be no assurance that we will be able to purchase emissions credits if our carbon black operations generate more CO_2 than our allocations permit or that the cost of such credits will not be excessive. There are also ongoing discussions and regulatory initiatives in other countries, including the United States, China, Brazil and South Korea, regarding greenhouse gas emission reduction programs, but those programs have not yet been defined. While their potential impact on our manufacturing operations or financial results cannot be estimated, it could be substantial. See *"Business—Environmental, Health and Safety Matters"*.

Litigation or legal proceedings could expose us to significant liabilities and thus adversely affect our business, financial condition, results of operations and cash flows.

We become involved from time to time in various claims and lawsuits arising in the ordinary course of our business, such as employment related claims and asbestos litigation, some of which are subject to a limited indemnity from Evonik under the Acquisition Agreements. Some matters involve claims for large amounts of damages as well as other relief. We are currently not involved in any legal proceedings which, either individually or in the aggregate, are expected to have a material adverse effect on our business, financial condition, results of operations or cash flows. The outcome of legal proceedings is extremely difficult to predict, however, and we offer no assurances in this regard. Adverse rulings, judgments or settlements in pending or future litigation, including contract litigation, product liability claims, personal injury claims, claims based on alleged exposure to asbestos, chemicals or to carbon black, environmental permitting disputes, or in connection with environmental remediation activities, could have an adverse effect on our business, financial condition, results of operations and cash flows.

Because many of our products provide critical performance attributes to our customers' applications and products, the sale of these products involves a risk of product liability claims against us, including claims arising out of the use of, or exposure to, our products. Our products have widespread end uses in a variety of consumer industries. A successful product liability claim, or series of claims, arising out of these various uses that results in liabilities in excess of our insurance coverage for which we are not indemnified, or for which we have not otherwise provided, could have a material adverse effect on our business, financial condition, results of operations and cash flows. In particular, we could be required to increase our debt or divert resources from other investments in our business in order to discharge any such liabilities.

We may not be able to protect our intellectual property rights successfully and we are subject to restrictions and risks associated with our intellectual property sharing arrangements with Evonik Degussa.

Our intellectual property rights are important to our success and competitive position. We own various patents and other intellectual property rights, and have licenses to use intellectual property rights, covering certain of our products, as well as certain processes and product uses. However, we often do not seek to patent a production method or product in order to avoid disclosure of business specific know-how. In addition to patents, a significant part of our intellectual property are our trade secrets, general know-how and experience regarding the manufacturing technology, plant operation and quality management, which third parties including our competitors may develop independently without violating our trade secret rights. We make careful assessments with respect to production process improvements and decide whether to apply for patents or retain and protect them as trade secrets. When we file a patent application, the patent application is usually filed for all countries where we believe that there is active competition and where we have existing customers. Nonetheless, because the laws and enforcement mechanisms of some countries may not be as effective as others, and because our intellectual property rights may, if asserted, ultimately be found to be invalid or unenforceable, we may not be able to successfully protect our intellectual property rights. Insufficient protection of intellectual property may limit our ability to make use of technological advantages or result in a reduction of future profits. This may cause competitive restrictions with an adverse effect on our business, financial condition, results of operations and cash flows.

Irrespective of our intellectual property rights, we may be subject to claims that our products, processes or product uses infringe or misappropriate the intellectual property rights of others. These claims, even if they are without merit, could be expensive and time consuming to defend, and if we were to lose such claims, we could be subject to injunctions and damages or be required to enter into licensing agreements requiring royalty payments and use restrictions, which may adversely affect our business, financial condition, results of operations and cash flows. Licensing agreements may not be available to us, and, if available, may not be available on acceptable terms.

In connection with the Separation, Evonik retained ownership of intellectual property used in and material to our carbon black business that was also used in the retained businesses of Evonik and assigned to us intellectual property that was exclusively used in the carbon black business. Evonik has granted to us a non-exclusive license to use and exploit retained intellectual property used in our business solely in the field of carbon black. In addition, we have granted-back to Evonik exclusive licenses relating to some of our intellectual property rights to exploit such intellectual property in all fields outside of carbon black. Accordingly, we would not be authorized to leverage the intellectual property that we use on the basis of a license from Evonik or the intellectual property that is subject to the back license to expand our business into fields outside of carbon black. In addition, Evonik could exploit, and could allow third parties, including our competitors, to exploit, their retained intellectual property in the carbon black field. Further, we have granted-back to Evonik a license relating to our intellectual property for the purpose of making and selling a product based on a defined process which includes the use of carbon black as raw material, provided that Evonik may purchase this carbon black from us or manufacture it itself. This grant-back license also includes the right of Evonik to sublicense our carbon black intellectual property to third party manufacturers, enabling Evonik to outsource manufacturing of its requirements to third parties, which may include our competitors.

In the Acquisition Agreements, German Bidco has agreed with Evonik Degussa to negotiate in good faith certain amendments of terms of the Separation to address the risks and restrictions described above. However, there can be no assurance as to the outcome of these negotiations. Should we not agree on amendments satisfactory to us and any of the risks described above materialize, our business, financial condition, results of operation and cash flows could be adversely affected.

Fluctuations in foreign currency exchange and interest rates could adversely affect our business, financial condition, results of operations and cash flows.

We are exposed to market risks relating to fluctuations in foreign currency exchange and interest rates. Our results of operations may be affected by both the transaction effects and the translation effects of foreign currency exchange rate fluctuations. We are exposed to currency fluctuation when we convert currencies that we may receive for our products into currencies required to pay our debt, or into currencies in which we purchase raw materials, meet our fixed costs or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. Fluctuations in currency exchange rates could require us to reduce our prices to remain competitive in foreign markets. In each case, the relevant income or expense is reported in the relevant local currency and translated into Euro at the applicable currency exchange rate for inclusion in our combined financial statements. Therefore, our financial results in any given period are materially affected by fluctuations in the value of the Euro relative to other currencies, in particular the U.S. Dollar. Generally, an appreciation of the U.S. Dollar has a negative impact on our results of operations and net working capital, because a large part of our raw material purchases is in U.S. Dollars. Significant changes in the value of the Euro relative to the other currencies could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we are exposed to adverse changes in interest rates. We manage our foreign exchange risk through normal operating and financing activities and, when deemed appropriate, through the use of derivative transactions, which are currently entered into for our account by Evonik, the effectiveness of which is dependent, in part, upon the counterparties to these contracts honoring their financial obligations to us. However, the derivative instruments existing on the Completion Date will not be transferred to us by Evonik. In addition, we cannot be certain that we will be successful in reducing the risks inherent in exposures to foreign currency and interest rate fluctuations, and our financial results could be adversely affected.

We may be subject to information technology systems failures, network disruptions and breaches of data security.

Information technology systems failures, including risks associated with upgrading our systems, network disruptions and breaches of data security could disrupt our operations by impeding our processing of transactions, our ability to protect customer or company information and our financial reporting. Our computer systems, including our back-up systems, could be damaged or interrupted by power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, events such as fires, earthquakes, floods, tornadoes and hurricanes, and/or errors by our employees. Although we have taken steps to address these concerns by implementing sophisticated network security, back-up systems and internal control measures, there can be no assurance that a system failure or data security breach will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to recruit or retain key management and personnel.

Our success is dependent on the management and leadership skills of our key management and personnel. The loss of any of these individuals or an inability to attract, retain and maintain additional personnel could prevent us from implementing our business strategy. In addition, our future growth and success also depends on our ability to attract, train, retain and motivate skilled managerial, sales, administration, operating and technical personnel. The loss of one or more of our key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we are unable to successfully negotiate with the representatives of our employees, including labor unions and works councils, we may experience strikes and work stoppages.

We are party to collective bargaining agreements and social plans with our labor unions. We also are required to consult with our employee representatives, such as works councils, on items like restructurings, acquisitions and divestitures, and are currently negotiating with the unions the replacement of existing pension and other benefits schemes for the time after the completion of the Acquisition, including the existing U.S. defined benefits plan, which we intend to replace with a U.S. defined contribution plan. Although we believe that our relations with our employees are good, there can be no assurance that new agreements will be reached or consultations will be completed without union or works councils action or on terms satisfactory to us. Current and future negotiations and consultations with employee representatives could have a material impact on our business. A material work stoppage or union dispute could adversely affect our business, financial condition, results of operations and cash flows. See *“Business—Employees—Labor Relations”*.

We are exposed to political or country risk inherent in doing business in some countries.

We operate a global network of production plants, located in Europe, North America, South Korea, China, South Africa and Brazil. Our operations in some of these regions may be subject to the following risks: changes in the rate of economic growth; unsettled political or economic conditions; expropriation or other governmental actions; social unrest, war, terrorist activities or other armed conflict; national and regional labor strikes; confiscatory taxation or other adverse tax policies; deprivation of contract rights; trade regulations affecting production, pricing and marketing of products; reduced protection of intellectual property rights; restrictions on the repatriation of income or capital; exchange controls; inflation; currency fluctuations and devaluation; the effect of global environmental, health and safety issues on economic conditions, market opportunities and operating restrictions; and changes in financial policy and availability of credit. These factors could adversely affect our business, financial condition, results of operations and cash flows.

Dislocations in credit and capital markets may make it more difficult for us to borrow money or raise capital needed for our business.

The recent credit crisis has affected, and may continue to affect, us in several ways. Dislocations in the credit markets may result in less credit being made available by banks and other lending institutions. As a result, we may not be able to obtain financing for our business, for acquisitions or to pursue other business plans. If we are unable to obtain financing on acceptable terms, either as a result of a deteriorating economic climate or otherwise, we may not be able to pursue certain of our business plans, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

A material decrease in the fair value of our business might result in the insolvency of the Issuer.

The Issuer might be deemed to have become over-indebted (*überschuldet*) under German law and its managing directors (*Geschäftsführer*) would be obligated to file for the opening of insolvency proceedings in Germany if:

- prior to December 31, 2013, the aggregate value of the Issuer's assets is less than the amount of liabilities shown on its over-indebtedness status (*Überschuldungsstatus*, being an adjusted balance sheet, revealing hidden reserves, as required under German insolvency law), unless according to the circumstances of the individual case a continuation of the business of the Issuer as a going concern is deemed predominantly likely (*überwiegend wahrscheinlich*); or
- from January 1, 2014, the aggregate value of its assets is less than the amount of liabilities shown on its over-indebtedness status, whereby the calculation of the value of assets is based on going concern values if a going concern of the Issuer is deemed predominantly likely according to the circumstances of the individual case, or on the aggregate liquidation value (*Liquidationswert*) if a going concern of the Issuer is predominantly unlikely. The analysis applicable as of January 1, 2014 may already have impacts on the going concern prognosis applicable prior to that date.

We may be required to impair or write off certain assets if our assumptions about future sales and profitability prove incorrect.

In analyzing the value of our inventory, property, plant and equipment, investments and intangible assets, we have made assumptions about future sales (pricing and volume), costs and cash generation. These assumptions are based on management's best estimates and if the actual results differ significantly from these assumptions, we may not be able to realize the value of the assets recorded, which could lead to an impairment or write-off of certain of these assets. For example, we recorded impairment losses of €90.9 million on various production plants in 2008 and we recorded goodwill impairment losses of €107.0 million in 2009, as a result of the global financial and economic crisis, which started to have an impact from the last quarter of 2008 and resulted in far weaker business expectations for these regions and plants. As a result of the application of the purchase method of accounting in connection with the Acquisition, the risk of impairments may become even more significant after the Completion Date than it has been historically. We may be required to impair or write off other assets in the future, which could have a material adverse effect on our business, financial condition and results of operations.

We may be required to increase our pension fund contributions.

We have made certain pension commitments to our existing and some of our previous employees. These commitments are partially covered by a pension scheme, by pension funds, special purpose funds and insurance policies. The amount of obligations is based on certain actuarial assumptions, including discount factors, life expectancy, pension trends and future salary development as well as expected interest rates applicable to the plan assets. If the actual results deviate from these assumptions, this could result in a considerable increase of the pension commitments and thus to higher allocations to the pension reserves in future years and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In connection with the Acquisition, all U.S. pension plans and other post-employment benefit plans will be terminated upon the closing of the Acquisition. As of the Completion Date, we expect to put in place new pension plans and other post-employment benefits plans that will be comparable to the current pension plans and other post-employment benefits plans, with the exception of the current U.S. defined benefits plan, which we intend to replace with a U.S. defined contribution plan, the costs of which may differ from those associated with the current U.S. defined benefits plan. It may be difficult to obtain such new pension plans and other post-employment benefit plans on acceptable terms or at all. We are currently negotiating with the unions the replacement of existing pension and other benefits schemes for the time after the completion of the Acquisition. There can be no assurance that new agreements will be reached on acceptable terms or at all and that this will not increase our pension fund contributions.

Our insurance coverage may not be adequate to cover all the risks we may face and it may be difficult to obtain replacement insurance on acceptable terms or at all.

Our plants, equipment and other assets are insured for property damage and business interruption risks, and our business as a whole is insured for public and products liability risks, under insurance policies with reputable insurance companies. We believe these insurance policies are generally in accordance with customary industry practices, including deductibles and limits of cover, but we cannot be fully insured against all potential hazards incident to our business, including losses resulting from war risks or terrorist acts, or all potential losses, including damage to our reputation. Chemical-related assets may be at greater risk of future terrorist attacks than other possible targets in the United States or elsewhere. A direct attack on our assets or assets used by us could have a material adverse effect on our business, financial condition, results of operations and cash flows. Insurance that provides adequate coverage against terrorist attacks has become increasingly expensive and difficult to obtain. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Although we attempt to keep insurance premiums low, as a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable at a reasonable cost or available only for certain risks. We can provide no assurances that we would be able to obtain replacement insurance on acceptable terms or at all.

Our insurance coverage has historically been taken out by Evonik on our behalf. As of the Completion Date, we expect to put in place new insurance policies comparable to those currently in place as well as additional insurance to expand our coverage. We expect to incur additional costs for insurance due to the smaller stand-alone scale of our business following the Acquisition and the expansion of our coverage. There can be no assurance that new policies will be entered into on acceptable terms or at all.

Our current insurance coverage provides coverage on a “claims made” or “occurrence reported” basis. Therefore, if an event for which we would be covered under our current insurance policies occurs prior to the completion of the Acquisition, but we are not able to make a claim until after the Completion Date, it is possible that such event would not be covered by either our current insurance coverage or the insurance coverage that we expect to put in place. We are currently negotiating to purchase “run-off” insurance policies to cover any potential gap in coverage, but there can be no assurances that we will be able to purchase such run-off policies at terms acceptable to us or at all.

Significant changes in our jurisdictional earnings mix or in the tax laws of those jurisdictions could adversely affect our business, financial condition, results of operations and cash flows.

Our future tax rates may be adversely affected by a number of factors, including the enactment of new tax legislation; other changes in tax laws or the interpretation of such tax laws; changes in the estimated realization of our net deferred tax assets; the jurisdictions in which profits are determined to be earned and taxed; adjustments to estimated taxes upon finalization of various tax returns; increases in expenses that are not deductible for tax purposes, including write-offs of acquired in-process research and development and impairment of goodwill in connection with acquisitions; changes in available tax credits; and the resolution of issues arising from tax audits with various tax authorities. Losses for which no tax benefits can be recorded could materially impact our tax rate and its volatility from period to period. Any significant change in our jurisdictional earnings mix or in the tax laws in those jurisdictions could increase our tax rates and adversely impact our financial results in those periods.

Risks Related to the Transactions

Our historical financial information may not be representative of the results we would have achieved as a stand-alone company and may not be a reliable indicator of our future results.

Evonik Carbon Black has historically operated as a business line of Evonik and reported its results as part of Evonik’s business unit “Inorganic Materials”. The combined financial statements of Evonik Carbon Black have been prepared on a “carve-out” basis from Evonik’s consolidated financial statements using the historical financial information attributable to Evonik Carbon Black and include allocations of income, expenses, assets, liabilities and cash flows from Evonik. For example, the costs and expenses reflected in our historical financial information include an allocation for certain corporate services provided by Evonik, including executive oversight, financial reporting, marketing, human resources, treasury, information technology, accounting, legal, environmental, health and safety, tax, administration, facility management, office, procurement, process technology and engineering services. The allocated charges may be different from the comparable expenses that we would have incurred had we operated as a stand-alone company.

For the preparation of the combined financial statements it was necessary to make assumptions and estimates for carve-out adjustments. We have not, however, adjusted our historical financial information to reflect changes that will occur in our cost structure, financing and operations as a result of our transition to becoming a stand-alone company. Accordingly, the combined financial statements do not necessarily reflect the financial position and performance that would have been presented if Evonik Carbon Black had already existed as an independent company during the periods presented and if the transactions between Evonik Carbon Black and other Evonik group companies had been carried out between independent companies. As a result, the combined financial statements are not necessarily indicative of what our financial position, results of operations or cash flows will be in the future.

The combined financial statements of Evonik Carbon Black present the financial position and performance of Evonik Carbon Black as it has existed under Evonik's ownership, which differs from the business as it will be operated after the completion of the Acquisition in various respects. See *"Presentation of Financial and Other Information"*.

We have no history operating as an independent company and will incur significant expenses to create the corporate infrastructure necessary to operate as an independent company. The transitional services that Evonik will provide to us following the Acquisition may not be sufficient to meet our needs, which could result in increased costs.

Historically, Evonik Carbon Black has operated as a business line of Evonik. Evonik has performed many corporate services for our operations, including executive oversight, financial reporting, marketing, human resources, treasury, information technology, accounting, legal, environmental, health and safety, tax, administration, facility management, office, procurement, process technology and engineering services. Following the completion of the Acquisition, Evonik will provide support to us with respect to certain of these functions on a transitional basis. The terms of these services and amounts to be paid by us to Evonik are provided in the transitional services agreement described under *"The Transactions—The Acquisition—Transitional Services Agreement"*. These transitional services may not be sufficient to meet Evonik Carbon Black's needs, and although Evonik Carbon Black has attempted to structure the transitional services agreement to meet Evonik Carbon Black's needs, there can be no assurance that in case of a conflict of interest, Evonik will not prioritize its own interests. Any failure or significant downtime of the transitional services provided by Evonik during the transitional period may have a material adverse effect on our business, financial condition, results of operations and cash flows. After the termination of the transitional services pursuant to the transitional services agreement, we may not be able to replace these services or enter into appropriate third-party agreements on terms and conditions, including costs, comparable to those that we will receive from Evonik under the transitional services agreement. In addition, we have historically received informal support from Evonik, which may not be addressed in the transitional services agreement, and the level of this informal support will diminish following the Acquisition, as we become an independent company.

We will need to replicate certain facilities, systems and infrastructure to which we will no longer have access after the Acquisition, as well as certain personnel. Although we intend to replace portions of the services currently provided by Evonik, we may encounter difficulties replacing certain services or be unable to negotiate pricing or other terms as favorable as those we currently have in effect. There may also be an adverse operational impact on our business as a result of the significant time of our management and other employees and internal resources that will need to be dedicated to building these capabilities following the Acquisition that otherwise would be available for other business initiatives and opportunities. Moreover, we may face difficulty integrating replacement facilities, systems, infrastructure and personnel into our business, which may lead to supply shortages and other disruptions for our customers. If such disruptions occur and we are forced to compensate our customers or if our competitors are able to take advantage of these disruptions, our business, financial condition and results of operations could be materially adversely affected. Furthermore, if we do not develop adequate systems and business functions, or obtain them from other providers, we may not be able to operate our company effectively, which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition to the corporate services described above, we have benefited in several other ways from our relationship with Evonik. We have historically participated in Evonik's cash management and financing system, including cash-pooling arrangements and inter-company loan agreements. Evonik has also provided us with performance bonds and assistance with certain commercial and local financing arrangements. Our insurance coverage has historically been taken out by Evonik on our behalf, and our commodity and foreign currency exchange hedging strategies have been implemented by Evonik for our account and risk. Upon completion of the Acquisition, we expect to put in place our own cash management and financing system. In addition, we expect to transfer the commodity hedges and to put in place a comparable foreign currency exchange hedging strategy in our own name. We also expect to put in place new insurance policies comparable to those currently in place as well as additional insurance to expand our coverage and address any gaps in coverage resulting from replacing Evonik's insurance. If we are not successful in transferring and establishing such hedging strategies, obtaining insurance coverage or arranging our own financing, our business, financial condition, results of operations and cash flows may be materially adversely affected.

We have historically benefited from Evonik's financial strength and business relationships and have been able to benefit from Evonik's size and purchasing power in procuring goods, services and technology. We have drawn on these resources in developing our own contacts and relationships. Following the Acquisition, we will no longer be able to rely on Evonik's resources and contacts. As a stand-alone company, we may be unable to obtain goods, services and technology at prices and on terms as favorable as those that we obtained prior to the Acquisition and, as a result, our profitability could be materially adversely affected.

The Issuer does not currently control Evonik Carbon Black and will not control Evonik Carbon Black until completion of the Acquisition.

Evonik Carbon Black is currently controlled by Evonik. The Issuer will not obtain control until completion of the Acquisition. There can be no assurance that Evonik will operate the Evonik Carbon Black business during the interim period in the same way that the Issuer would. The historical information contained in this offering memorandum relating to Evonik Carbon Black has been provided to the Issuer by Evonik, and it has relied on such information supplied to it in the preparation of this offering memorandum.

In addition, prior to the Completion Date, Evonik Carbon Black will not be subject to the covenants described under *"Description of the Notes"* and *"Description of Other Indebtedness"* to be included in the Indenture and the Revolving Credit Facility. As such, there can be no assurance that, prior to such date, Evonik Carbon Black will not take an action that would otherwise have been prohibited by the Indenture had those covenants been applicable.

Our separation agreements with Evonik require us to assume many past and present liabilities related to our business and to indemnify Evonik for future liabilities it may face with respect to our business.

Pursuant to the separation agreements we have entered into with Evonik, we have assumed many past and present liabilities related to our business. We have also agreed to indemnify Evonik with respect to future liabilities related to our business. Such liabilities include liabilities for which we do not know the extent of our potential exposure. Some of these exposures could be significant. Furthermore, the scope of the liabilities we have assumed and for which we have agreed to indemnify Evonik and the terms on which we will do so may be less favorable than if we entered into a similar agreement with an unaffiliated third party.

We may not be able to enforce the indemnity Evonik has provided to us and we are exposed to the credit risk of Evonik.

In connection with the Acquisition, Evonik has agreed to indemnify us, subject to certain limitations, for certain liabilities. Nonetheless, third parties could seek to hold us responsible for any of the liabilities Evonik has agreed to retain, and there can be no assurance that we will be able to enforce our claims under the indemnities against Evonik. Moreover, even if we ultimately succeed in recovering any amounts for which we are held liable from Evonik, we may be temporarily required to bear these losses ourselves. In addition, our ability to enforce our claims under the indemnities against Evonik are dependent on Evonik's creditworthiness at the time we seek to enforce our claims, and there can be no assurance as to what Evonik's financial condition will be in the future.

If the Issuer does not satisfy the conditions precedent for utilization of the Revolving Credit Facility, it may be required to seek alternative sources of financing.

While the Issuer has entered into the Revolving Credit Facility and material documents related thereto (including the Intercreditor Agreement), there can be no assurance that it will satisfy the conditions precedent to utilization of the Revolving Credit Facility, which is a condition to the release of the proceeds of the Notes from escrow. If the Issuer does not meet the conditions precedent to utilization of the Revolving Credit Facility, it will need to seek alternative sources of financing to finance the Acquistion and for its general corporate and working capital needs. The Issuer may be unable to find such alternative financing, and even if it could obtain alternative financing, it might not be on terms that are favorable or acceptable. Any alternative financing could be at higher interest rates and may require the Issuer to comply with more onerous covenants, restricting our business operations. This could make it difficult for us to implement our strategy and for the Issuer to pay back the Notes.

Amendments made to the Acquisition Agreements and other agreements entered into in connection with the Acquisition may have adverse consequences for holders of the Notes.

The Acquisition is expected to be consummated in accordance with the terms of the Acquisition Agreements. However, the Acquisition Agreements and other agreements entered into in connection with the Acquisition may be amended and the closing conditions may be waived at any time by the parties thereto, without the consent of holders of the Notes. Further, any amendments made to the Acquisition Agreements and other agreements entered into in connection with the Acquisition may make the Acquisition less attractive. Any amendment made to the Acquisition Agreements or other agreements entered into in connection with the Acquisition may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the return you expect to receive on the Notes.

The interests of our Principal Shareholders may conflict with the interests of the holders of the Notes and the Shareholders Agreement could impose operating and financial restrictions on our business.

Each of the Rhône Investors and the Triton Investors will upon completion of the Acquisition hold a 50% interest in us. The interest of the Principal Shareholders could conflict with the interests of investors in the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. The Principal Shareholders could cause us to pursue acquisitions or divestitures and other transactions or make large dividend payments (subject to limitations set forth in the Indenture) or other distributions or payments to them as the shareholders, even though such transactions may involve increased risk for the holders of the Notes. In addition, the Principal Shareholders may, in the future, own businesses that directly compete with ours. Furthermore, no assurance can be given that the Principal Shareholders will not sell all or any part of their respective shareholdings at any time nor that either of them will not look to reduce their respective holding by means of a sale to a strategic investor, an equity offering or otherwise. An equity offering may lead to the exercise of the Issuer's right to redeem up to 35% of the Notes. See *"Description of the Notes—Optional Redemption"*.

Under the Shareholders Agreement between the Principal Shareholders, material actions will require the approval of both shareholders as described in *"Principal Shareholders—Shareholders Agreement Between the Rhône Investors and the Triton Investors"*. The Principal Shareholders may be unable to agree on whether we should engage in any of these transactions or other matters, and any disagreement may limit our ability to respond to market opportunities, or make certain commercial or financial decisions, as quickly as needed.

We could experience a material adverse impact on our financial condition if the German or other tax authorities were to successfully challenge decisions and assumptions we have made in assessing and complying with our tax obligations, including in respect of the Transactions.

We make, and have in the past made, numerous decisions and assumptions in assessing and complying with our tax obligations, including in respect of the tax treatment of the Separation and the

Acquisition. Many of the tax laws that apply to us, including tax laws that apply to the Separation and the Acquisition, are complex and often require judgments to be made when the law is unclear or the facts uncertain. While we believe the decisions we have made and the assumptions we have applied are reasonable and accurate, we cannot assure you that these decisions and assumptions will not be questioned or rejected by the German or other tax authorities. If such tax authorities were to successfully challenge such decisions or assumptions, we could be required to pay additional amounts to such authorities to satisfy our tax obligations, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to the Notes

Our significant leverage may make it difficult for us to service our debt, including the Notes, and operate our businesses.

Upon issuance of the Notes, we will be highly leveraged with significant debt service obligations. We anticipate that our high leverage will continue for the foreseeable future. This may have important negative consequences for our business and you, including:

- making it more difficult for us to satisfy our obligations with respect to our debt, including our obligations under the Notes and other liabilities;
- requiring that a substantial portion of the cash flow from our operations be dedicated to debt service obligations, reducing the availability of cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to economic downturns in our industry;
- exposing us to interest rate increases on indebtedness under the Revolving Credit Facility and other indebtedness that we may incur;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities;
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings; and
- subjecting us to a greater risk of non-compliance with financial and other restrictive covenants in our debt facilities.

In the worst case scenario, an actual or impending inability to pay debts as they become due and payable could result in our insolvency.

The terms of the Indenture, as well as the terms of the Revolving Credit Facility, will also contain restrictions that substantially limit our financial and operational flexibility. In particular, these agreements place limits on our ability to incur additional indebtedness, grant security interests to third persons, dispose of material assets, undertake organizational measures such as mergers, changes of corporate form, joint ventures or similar transactions, pay dividends, and enter into transactions with related parties. Our ability to comply with these provisions may be affected by changes in economic or business conditions or other events beyond our control.

If we do not comply with the covenants and restrictions governing our debt facilities, we could be in default under those facilities, and the debt incurred thereunder, together with accrued interest, could then be declared immediately due and payable. Any default under any of our debt facilities could lead to an acceleration of debt under other debt instruments that contain cross-acceleration or cross-default provisions. If the debt under our debt instruments is accelerated, we may not have sufficient assets to repay amounts due thereunder.

Despite our significant leverage, we may be able to incur more debt in the future, which could further exacerbate the risks of our leverage.

We may incur more debt in the future. Although the Revolving Credit Facility contains, and the Indenture governing the Notes will contain, restrictions on our ability to incur additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. We may, for instance, incur substantial additional debt in the future that will be effectively senior to the Notes and that could mature prior to the Notes. We also are permitted to draw additional debt under our Revolving Credit Facility, which currently provides for total undrawn commitments of up to $250.0 million. If new debt is added to our existing debt levels, the related risks that we now face would increase. In addition, the Indenture and the Revolving Credit Facility will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. See *“Description of Other Indebtedness”*.

We will require a significant amount of cash to service the Notes and our other indebtedness, and for other general corporate purposes. Our ability to generate sufficient cash depends on many factors beyond our control.

Our ability to make payments on our debt, and to fund working capital and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed under this section *“Risk Factors”* and elsewhere in this offering memorandum.

Our business may not generate sufficient cash flows from operations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, including our obligations under the Notes. In addition, future borrowings or amounts available for borrowing under the Revolving Credit Facility may not be sufficient to fund our other liquidity needs. We may also need to refinance all or a portion of our indebtedness, including the Notes, on or prior to their stated maturity. We cannot assure you that we will be able to refinance any of our indebtedness, including the Revolving Credit Facility and the Notes, on commercially reasonable terms, if at all.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. Furthermore, the terms of our debt, including the Notes and our Revolving Credit Facility, and any future debt that we may incur, may limit our ability to pursue any of the foregoing alternatives.

The Issuer is a holding company and conducts no business operations of its own and will depend on payments from its subsidiaries to make payments on the Notes.

The Issuer is a holding company that conducts no business operations of its own and has no significant assets other than the shares it holds in its direct subsidiaries and its claims under certain intercompany loans. Repayment of the Issuer’s indebtedness, including the Notes, is dependent on the ability of the Issuer’s subsidiaries to make such cash available to the Issuer, by dividend distributions, debt repayment, loans or otherwise. The Issuer’s subsidiaries may not be able to, or may be restricted by the terms of their existing or future indebtedness, or by law, in their ability to make distributions or advance upstream loans to enable the Issuer to make payments in respect of its indebtedness, including the Notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit the Issuer’s ability to obtain cash from its subsidiaries.

While the Indenture governing the Notes and the Revolving Credit Facility will limit the ability of the Issuer’s subsidiaries to incur contractual restrictions on their ability to pay dividends or make other intercompany payments, these limitations are subject to certain significant qualifications and exceptions. In the event that the Issuer does not receive distributions or other payments from its subsidiaries, the Issuer may be unable to make required principal and interest payments on its indebtedness, including the Notes. The Issuer does not expect to have any other sources of funds that would allow it to make payments to holders of the Notes.

The Notes will be structurally subordinated to all indebtedness of the Issuer's existing or future subsidiaries that are not, or do not become, guarantors of the Notes.

Following completion of the Acquisition, not all of the Issuer's subsidiaries are expected to guarantee the Notes. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of any non-guarantor subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims against the Issuer by the holders of the Notes. Similarly, in the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any non-guarantor subsidiary, holders of such subsidiary's indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of such subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and Note Guarantees will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the Issuer's non-guarantor subsidiaries. Although the Issuer's non-guarantor subsidiaries currently represent only a small portion of our revenues, the covenants in the Notes permit the incurrence of additional indebtedness at subsidiaries that do not guarantee the Notes and in the future the revenues and EBITDA of such entities could be substantial.

The Notes and the Note Guarantees will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Note Guarantees and future secured indebtedness may be secured by certain assets that do not secure the Notes and the Note Guarantees.

The Notes and the Note Guarantees will be secured only to the extent of the value of the Collateral. See *"Description of the Notes—Security"*. Not all of our assets secure the Notes and the Note Guarantees, and the Indenture will allow the Issuer and the Guarantors to secure any future Senior Secured Indebtedness (as defined in the Indenture) permitted to be incurred under the Indenture (which may be structurally senior to the Notes and the Note Guarantees) with the property and assets of subsidiaries that do not secure the Notes. The value of such assets and property could be significant. If an Event of Default occurs and the obligations under the Notes are accelerated, the Notes and the Note Guarantees will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Issuer and the Guarantors with respect to any property or assets excluded from the Collateral securing the Notes, the Note Guarantees or such secured debt.

Your ability to recover under the Collateral may be limited. Before any amounts are available to repay the Notes, lenders under our Revolving Credit Facility and certain hedge counterparties will have a right to be repaid in priority to the Notes with the proceeds realized following the enforcement of all or part of the Collateral.

The obligations under the Notes and the related Note Guarantees will be secured on a first-ranking basis with security interests over the Collateral which also secures our obligations under the Revolving Credit Facility and certain hedging obligations. The Indenture also permits the Collateral to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement, the liabilities under the Revolving Credit Facility and certain hedging obligations will have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to the Collateral. As such, in the event of a foreclosure of the Collateral, you may not be able to recover on the Collateral if the then outstanding claims under the Revolving Credit Facility and such amounts in respect of such hedging obligations are greater than the proceeds realised. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the Revolving Credit Facility and such amounts in respect of such hedging obligations have been discharged from such recoveries, be applied *pro rata* in repayment of the Notes, certain hedging obligations and any other obligations secured by the Collateral. See *"Description of Other Indebtedness—Intercreditor Agreement—Application of Recoveries"*.

The Intercreditor Agreement provides that the Security Agent may act upon the instructions of the class of secured creditors that first delivers a notice to enforce the Collateral to the Security Agent, provided that it receives written consent to do so or the same enforcement instructions from the agents and representatives of certain other classes of secured creditors prior to the "enforcement instruction effective date" (as defined in the Intercreditor Agreement). The Intercreditor Agreement further provides that in the event that the classes of creditors entitled to provide enforcement instructions to the Security Agent provide conflicting instructions or that written consent (or the same enforcement instructions) from the other relevant secured creditors is not received prior to the enforcement instruction effective date, such creditors must consult with each other for a period of 30 days before any enforcement action may be taken. Although enforcement instructions given by holders of the Notes may prevail after such 30-day period, under certain circumstances, enforcement instructions by the lenders under our Revolving Credit Facility will prevail.

In addition, if the lenders under our Revolving Credit Facility and certain counterparties to our hedging arrangements have not been fully repaid within six months of the end of such consultation period, or any of German Holdco or any of its subsidiaries become subject to insolvency or similar proceedings, or the majority of the holders of the Notes and certain other creditors fail to provide enforcement instructions within 45 days after the end of such consultation period, then the Security Agent will follow the terms of the enforcement instructions (if any) agreed to by holders of 66⅔% of the aggregate of all outstanding liabilities under the Revolving Credit Facility and certain hedging liabilities. These arrangements could therefore be disadvantageous to the holders of the Notes in a number of respects and may permit the lenders under the Revolving Credit Facility and certain hedging counterparties to control enforcement in circumstances in which their interests are different than the interests of the holders of the Notes. See *"Description of Other Indebtedness—Intercreditor Agreement—Consultation"* for a description of the provisions regarding the ability of each class of creditors to instruct the Security Agent.

The Completion Guarantors and the Post-Completion Guarantors will not initially guarantee the Notes and the Collateral will not initially secure the Notes.

As of the issue date, the Notes will be guaranteed by the Initial Guarantors only. We will agree in the Indenture to take such necessary actions so that as of the Completion Date, the Notes will be guaranteed by the Completion Guarantors. In addition, we will agree to take such necessary actions so that no later than the earlier of (i) the date on which the Revolving Credit Facility is guaranteed by the relevant Post-Completion Guarantor and (ii) the date that is 45 days following the Completion Date, the Post-Completion Guarantors become guarantors of the Notes by executing and delivering to the Trustee a supplemental indenture (or supplemental indentures) in the form attached to the Indenture. Similarly, as of the issue date, the Notes will be secured by the funds in the Escrow Accounts only. Under the Indenture, we will agree that the Notes will be secured by certain Collateral on the Completion Date. In addition, we will agree that the shares of the South African JV and the Chinese JV owned, directly and indirectly, by the German Holdco will secure the Notes as of the earlier of the date the Revolving Credit Facility is secured by such collateral or 45 days following the later of the date of the acquisition of such shares or receipt of any necessary regulatory approval or obtaining the consent of minority shareholders (if required) for the granting of such security. We will also agree that certain additional Collateral will be provided as of the date that Collateral secures the Revolving Credit Facility. There can be no assurance that we will be successful in procuring such additional guarantees or liens within the time period specified, the failure of which would, in some cases, result in an event of default under the Indenture. In particular, the guarantees of the Notes to be provided by entities organized in certain jurisdictions, such as Korea, will require regulatory approval before they can be granted and there can be no assurance that we will obtain such regulatory approval. The additional guarantees will be limited to the same extent as those set forth under *"Description of the Notes—Note Guarantees—General"*.

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

The security documents allow the Guarantors to remain in possession of, retain control over, operate, and collect, invest and dispose of any income from, the Collateral securing the Notes. So long as no default or event of default under the Indenture or the Revolving Credit Facility has occurred or would result therefrom, the Guarantors may, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral such as selling, factoring, abandoning or otherwise disposing of Collateral through asset sales or intercompany disposals and making ordinary course cash payments, including repayments of indebtedness.

The Notes, the Note Guarantees and the Collateral may be subject to release in certain circumstances.

The Notes, the Note Guarantees and the Collateral are subject to release in the event of certain enforcement actions under the Intercreditor Agreement. For example, in the event of a sale or disposition of all or substantially all of the Issuer's assets in an enforcement action that complies with the terms of the Intercreditor Agreement, the claims under the Notes, the Note Guarantees and the Collateral will be released by the Security Agent. These requirements may in some circumstances be satisfied even though you would make no recovery or a partial recovery under the Notes. Similarly, in the event of a sale or disposition of the shares of a Guarantor (or a holding company of such Guarantor) in an enforcement action that complies with the terms of the Intercreditor Agreement, the claims under the Note Guarantee of such Guarantor and any Collateral in respect of such Guarantor will be released by the Security Agent, whether or not the holders of the Notes make any recovery from such sale or disposition.

As a result of these and other provisions in the Intercreditor Agreement and the Indenture, upon the completion of an enforcement action following an event of default under the Indenture, the Revolving Credit Facility or certain other indebtedness, you may not realize a partial or full recovery of your investment in the Notes, and the claims under some or all of the Notes, the Note Guarantees and the Collateral may be released.

In addition, the Indenture provides that the Collateral that secures the obligations under the Indenture may be released and retaken in connection with the incurrence of additional secured indebtedness, including in the event of a refinancing or replacement of the Revolving Credit Facility, without the consent of the holders of the Notes. In certain jurisdictions, such a release and retaking of Collateral may give rise to the start of a new "hardening period" in respect of such Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such Collateral and thus reduce your recovery under the Notes.

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

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the Security Agent and any creditors that also have the benefit of liens on the Collateral from time to time, whether on or after the date the Notes are issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral as well as the ability of the Security Agent to realize or foreclose on such Collateral.

No appraisals of any Collateral have been prepared in connection with the Offering of the Notes. The value of the Collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers. By their nature, some or all of the assets comprised in the Collateral may be illiquid and may have no readily ascertainable market value. We cannot assure you that the fair market value of the Collateral as at the date of this offering memorandum exceeds the principal amount of the debt secured thereby. The value of the assets comprised in the Collateral for the Notes could be impaired in the future as a result of changing economic conditions, our failure to successfully implement our business strategy and achieve our business targets, our failure to successfully compete in our industry and other future trends and developments.

The security interest of the Security Agent will be subject to practical problems generally associated with the realization of security interests in Collateral. For example, the Security Agent may be required to obtain the consent of a third party to obtain or enforce a security interest in a contract. We cannot assure you that the Security Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate an enforcement on such assets. Accordingly, the Security Agent may not have the ability to enforce upon those assets, and the value of the Collateral may significantly decrease.

The security interests in the Collateral are unlikely to give the Security Agent a right to prevent other creditors from foreclosing on the Collateral in certain jurisdictions. In these jurisdictions certain types of security interests only give their holders priority (according to their rank) in the distribution of any proceeds of such realization, but not an intervention right. Accordingly, the Security Agent and the holders of the Notes may not be able to avoid foreclosure by unsecured creditors on the Collateral, even if they consider such foreclosure untimely.

The enforcement of share pledges may not be successful if the entities in which the shares are pledged are subject to existing agreements limiting their ability to make dividends to new shareholders (such as profit and loss pooling agreements) or limiting the control over such entity (such as domination agreements).

The laws of certain jurisdictions, including Germany, do not generally permit an appropriation of pledged assets by the pledgee upon the occurrence of an enforcement event and usually require the sale of the relevant collateral through a formal disposal process involving a public auction. Certain waiting periods and notice requirements may apply to such disposal process.

The security over the Collateral will not be granted directly to the holders of the Notes.

The security interests in the Collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Note Guarantees will not be granted directly to the holders of the Notes, but will be granted only in favor of the Security Agent for the benefit of the secured creditors, including the holders of the Notes and the lenders under the Revolving Credit Facility. The Indenture governing the Notes and the Intercreditor Agreement will provide that only the Security Agent has the right to enforce the security interests. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will provide instructions to the Security Agent for the Collateral. In addition, in certain circumstances, lenders under the Revolving Credit Facility will have the right to direct the Security Agent with respect to an enforcement action in respect of the Collateral, which may limit recovery. See *"Description of Other Indebtedness—Intercreditor Agreement"*.

It is possible that some of the security in favor of the Notes may not be enforceable.

In certain jurisdictions, the creation of security interests to secure the obligations of a third party may be limited under applicable law. As a result, enforcement of the security in certain jurisdictions may be subject to certain statutory limitations or defenses or to limitations contained in the terms of the security documents designed to ensure compliance with applicable statutory requirements. See *"Certain Insolvency Law Considerations and Certain Limitations on Note Guarantees and Security"* for a more detailed description of the various limitations on the security in each relevant jurisdiction.

Additionally, under both German and Korean law, the creation of certain security interests requires that the grantee of the security interest is the same party as the creditor of the secured claim. To accommodate this requirement, the Intercreditor Agreement provides for the creation of a so-called "parallel obligation". Pursuant to the parallel obligation, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Indenture governing the Notes. The parallel obligation procedure has not been tested under German or Korean law, and we cannot assure you that it will eliminate or mitigate the risk of unenforceability of the security posed by German or Korean law. In case the validity or enforceability of the relevant security in favor of the Notes is challenged successfully, you may not be able to recover any amounts under the relevant security.

Also, under German law, in the event that the Issuer enters into insolvency proceedings, the security interests created under the documents entered into to secure the Notes or the parallel obligation could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) or by other creditors of the Issuer under the rules of avoidance of the German Insolvency Code (*Insolvenzordnung*) and the German Act on the non-insolvency Avoidance of Transactions by the Debtor (*Anfechtungsgesetz*). As a result, holders may not be able to recover any amounts under the relevant security documents if the validity of the relevant Collateral was subject to such avoidance action.

Similarly, Italian law provides that rights arising from share pledges over the shares of the Guarantors organized under the laws of Italy must be exercised by the Security Agent on behalf of the holders of the Notes. As a consequence, holders of the Notes may not, individually or collectively, take any direct action to enforce any rights in their favor under the Italian share pledges. Additionally, there is also some uncertainty under Italian law whether beneficial owners of the Notes which are not identified as registered holders in the Italian share pledges will be deemed to have a valid and perfected security interest. In the event that the Guarantors organized under the laws of Italy enter into insolvency proceedings, the Note Guarantee and the security interest created under the Italian share pledges could also be subject to potential challenges by a court appointed officer or by other creditors of the relevant Guarantors organized under the laws of Italy under the "claw-back" provisions of Italian solvency law.

The Note Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability.

The obligations of the Guarantors and the enforcement of each of their Note Guarantees will be limited to the maximum amount that can be guaranteed by such Guarantor under the applicable laws of each jurisdiction, to the extent that the granting of such Note Guarantee is not in the relevant Guarantor's corporate interests, the burden of such Note Guarantee exceeds the benefit to the relevant Guarantor, such guarantee would be in breach of capital maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such Guarantor to contravene their fiduciary duties and/or incur civil or criminal liability. See *"Certain Insolvency Law Considerations and Certain Limitations on Note Guarantees and Security"* for a detailed description on the various limitations on Note Guarantees in each relevant jurisdiction.

Accordingly, enforcement of any such Note Guarantee against the relevant Guarantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the Note Guarantees designed to ensure compliance with statutory requirements applicable to the relevant Guarantors. These laws and defenses include those that relate to fraudulent conveyance or transfer, insolvency, voidable preference, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. As a result, in certain of the jurisdictions in which the Guarantors are organized, a Guarantor's liability under its guarantee could be materially reduced or eliminated.

It is possible that a Guarantor, or a creditor of a Guarantor, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor, may contest the validity and enforceability of the Guarantor's guarantee on any of the above grounds and that the applicable court may determine that the guarantee should be limited or voided. To the extent that agreed limitations on the guarantee obligation apply, the Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor. Future guarantees may be subject to similar limitations.

In addition, Guarantors are required under the Purchase Agreement to incur liability in particular in respect of certain representations and warranties and indemnification obligations, subject to the same limitations and maximum amounts, if any, as described further in *"Certain Insolvency Law Considerations and Certain Limitations on Note Guarantees and Security."* Accordingly, any amount paid by a Guarantor under the Purchase Agreement will reduce its maximum liability, if any, under the Indenture and vice versa.

The insolvency and administrative laws of Germany and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Note Guarantees, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

The Issuer's obligations under the Notes will initially be guaranteed by the Guarantors. The Issuer is organized under the laws of Germany and the Guarantors are organized under the laws of Germany, France, Italy, Korea, Luxembourg, Poland, Portugal, Sweden and the United States. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the Notes, the Note Guarantees and the security will thus be subject to the laws of a number of jurisdictions, and it may be difficult to effectively enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights.

The bankruptcy, insolvency, administration and other laws of foreign jurisdictions may not be as favorable to you as the laws of the United States or other jurisdictions with which you are familiar including in the areas of creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings. In particular, the German bankruptcy laws and regulations are unfavorable to creditors in many respects. In the event that any one or more of the Issuer, the Guarantors or any other of the Issuer's subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Although laws differ among the jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Issuer and the enforceability of a Note Guarantee against a Guarantor. A court may also in certain circumstances avoid the guarantee where the company is close to or near insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law is only a brief overview and describes certain generally applicable terms and principles, which are defined under and subject to the relevant jurisdiction's fraudulent transfer and insolvency statutes. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

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

- avoid or invalidate all or a portion of a Guarantor's obligations under its Note Guarantee;
- direct that holders of the Notes return any amounts paid under a guarantee or any security to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors; and
- take other action that is detrimental to you.

If the Issuer cannot satisfy its obligations under the Notes and any Note Guarantee is found to be a fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor under its Note Guarantee will be limited to the amount that will result in such Note Guarantee not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each. There is also the possibility that the entire guarantee may be set aside, in which case the entire liability may be extinguished.

In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts would, for example, need to find that, at the time the Note Guarantees were issued:

- the Guarantor knew or should have known that the transaction was to the detriment of the creditors;
- the Guarantor issued such guarantee with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others;
- the Guarantor issued such guarantee in a situation where a prudent businessman as a shareholder of such Guarantor would have contributed equity to such Guarantor or where the relevant beneficiary of the Note Guarantee knew or should have known that the Guarantor was insolvent or a filing for insolvency had been made;
- the Guarantor received less than reasonably equivalent value for incurring the debt represented by the Note Guarantee on the basis that the Note Guarantee was incurred for our benefit, and only indirectly the Guarantor's benefit, or some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the guarantee, or subsequently became insolvent for other reasons; (ii) was engaged, or was about to engage, in a business transaction for which the Guarantor's assets were unreasonably small; or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due;
- the Note Guarantee was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or

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

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor generally may, in different jurisdictions, be considered insolvent if:

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

Accordingly, there can be no assurance as to which standard a court would apply in determining whether a Guarantor was insolvent as of the date the Note Guarantees were issued or that, regardless of the method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Note Guarantee was issued, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

For a description of certain insolvency laws and enforceability issues as they relate to the Note Guarantees and certain other security, see *"Certain Insolvency Law Considerations and Certain Limitations on Note Guarantees and Security"*.

If the conditions in the Escrow Agreement are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.

Upon the issuance of the Notes, the gross proceeds from the sale of the Notes will be held in escrow pending the satisfaction of certain conditions precedent, including the completion of the Acquisition. If the Acquisition has not been consummated by September 30, 2011, or, upon the occurrence of certain events, the Notes will be subject to a special mandatory redemption, as described in *"Description of Notes—Escrow of Proceeds; Special Mandatory Redemption"*. If this occurs, you may not be able to reinvest the proceeds from the redemption in an investment that yields comparable returns.

If the Issuer is required to redeem the Notes through a special mandatory redemption, the proceeds held in the respective Escrow Accounts will be insufficient to provide for full payment of interest that will accrue on the Notes from the issue date up to the date of redemption. Since the Issuer is a holding company and has no operations or significant assets of its own, in order to be in a position to fund this interest payment, the Issuer will, on or prior to the issue date, enter into one or more contribution agreements (the *"Contribution Agreements"*) with Rhône Group L.L.C. (*"Rhône Group"*), an affiliate of Rhône Capital L.L.C., and Triton Fund III, L.P. and the other limited partnerships constituting Triton III, acting through their respective general partners (the *"Triton Fund"*), pursuant to which each of Rhône Group and the Triton Fund will agree, severally and not jointly, with the Issuer to contribute to the relevant Escrow Accounts an amount necessary to pay all accrued and unpaid interest from the issue date up to the date of any special mandatory redemption. Rhône Group expects to fund its share of this contribution through capital commitments from its members and the Triton Fund expects to fund its share of this contribution through capital commitments or from its credit line. Rhône Group and Triton Fund will agree to maintain unfunded capital commitments (or, in the case of Triton Fund, availability under its credit line) sufficient to satisfy their respective obligations under the relevant Contribution Agreement for so long as such Contribution Agreement remains in effect. If, however, Rhône Group or the Triton Fund has insufficient funds at the time of any special mandatory redemption to satisfy its obligations under the relevant Contribution Agreement, you may not receive the full amount of interest accrued on the Notes.

You may be unable to recover in civil proceedings for U.S. securities law violations.

The Issuer and most of the Guarantors are companies incorporated outside the United States. Most of our directors and executive officers and the directors and executive officers of the Issuer and each of the Guarantors are non-residents of the United States. Although the Issuer and the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under

U.S. securities laws or under the Indenture, you may be unable to effect service of process within the United States on the directors and executive officers of the Issuer and the Guarantors. In addition, as most of our assets and those of our directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States. See *"Service of Process and Enforcement of Certain Civil Liabilities"*.

The Issuer may not be able to obtain enough funds necessary to finance an offer to repurchase your Notes upon the occurrence of certain events constituting a change of control as required by the Indenture.

Upon the occurrence of certain events constituting a change of control (as defined under the Indenture), the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a change of control were to occur, the Issuer cannot assure you that it would have sufficient funds available at the time to pay the purchase price of the outstanding Notes or that the restrictions in its other debt instruments, including the Revolving Credit Facility, would allow the Issuer to make such required repurchases. A change of control may result in an event of default under the Issuer's other debt facilities and may require the Issuer to repay its other outstanding debt and may cause the acceleration of other indebtedness which may be senior to the Notes or rank equally with the Notes. In any case, the Issuer expects that it would require third-party financing to make a change of control offer. The Issuer cannot assure you that it would be able to obtain this financing. See *"Description of the Notes"*.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a change of control, as defined in the Indenture. Except as described under *"Description of the Notes—Repurchase at the Option of Holders—Change of Control"*, the Indenture will not contain a provision that requires us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

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

The Notes may be issued with original issue discount for U.S. federal income tax purposes.

The Notes may be issued with original issue discount for U.S. federal income tax purposes. Consequently, in addition to the stated interest on the Notes, U.S. holders may be required to include amounts representing the original issue discount in gross income on a constant yield basis for U.S. federal income tax purposes in advance of the receipt of cash payments to which such income is attributable. For more information, see *"Certain Taxation Considerations—Material United States Federal Income Tax Consequences—Original Issue Discount"*.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the Securities Act or any United States securities laws, and the Issuer has not undertaken to effect any exchange offer for the Notes in the future. You may not offer the Notes for sale in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. In addition, by its acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased Notes that it shall not transfer the Notes in an amount less than €100,000 or $200,000, as applicable. See *"Transfer Restrictions"*.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.

The Notes are new securities for which there is no established market. We cannot assure you as to the liquidity of any market that may develop for the Notes, your ability to sell your Notes, or the prices at which you will be able to sell your Notes. Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. As a result, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all. In addition, the Indenture will allow us to issue additional notes in the future which could adversely impact the liquidity of the Notes.

The Notes may not become, or remain, listed on the Irish Stock Exchange.

Although the Issuer will, in the Indenture, agree to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange within a reasonable period after the issue date and to use its commercially reasonable efforts to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become, or remain, listed. If the Issuer can no longer maintain the listing on the Official List of the Irish Stock Exchange and the admission to trading on the Global Exchange Market of the Irish Stock Exchange or it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing, provided that it will use reasonable best efforts to obtain and maintain the listing of the Notes on another stock exchange, although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the Irish Stock Exchange or another recognized listing exchange for comparable issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Official List of the Irish Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

You may face foreign exchange risks by investing in the Notes.

The Euro Notes will be denominated and payable in Euro and the Dollar Notes will be denominated and payable in U.S. Dollars. If you measure your investment returns by reference to a currency other than the currency in which your Notes are denominated, an investment in the Notes will entail the risk of possible significant changes in the value of the Euro or U.S. Dollar relative to the currency which you measure the return on your investments against, caused by economic, political and other factors over which we have no control. Depreciation of the Euro or U.S. Dollar against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Governmental and monetary authorities may impose exchange controls that could adversely affect applicable exchange rates. As a result, you may receive less interest than expected or no interest or principal payment at all. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from an investment in the Notes.

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

Unless and until Notes in definitive registered form, or definitive registered notes (the *“Definitive Registered Notes”*), are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for the accounts of Euroclear and Clearstream will be the registered holder of the Euro Global Notes. The nominee for the accounts of DTC will be the registered holder of the Dollar Global Notes. After payment to the registered holder, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, Euroclear and Clearstream, as applicable, and if you are not a participant in DTC, Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See *“Book-Entry, Delivery and Form”*.

Unlike the holders of Notes themselves, owners of Book-Entry Interests will not have any direct rights to act upon solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC, Euroclear or Clearstream, or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture unless and until Definitive Registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC, Euroclear or Clearstream. The procedures to be implemented through DTC, Euroclear or Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See *“Book-Entry, Delivery and Form”*.

The Notes may not be a suitable investment for all investors.

Potential investors in the Notes must determine the suitability of that investment in light of their own circumstances. In particular, potential investors should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the merits and risks of investing in the Notes;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of their particular financial situation, an investment in the Notes and the impact such investment will have on their overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect their investment and their ability to bear the applicable risks.

Potential investors should not invest in the Notes unless they have the expertise (either alone or with the help of a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor’s overall investment portfolio. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities, and each potential investor should consult their legal advisors or the appropriate regulators.

The market for debt securities may be volatile and is influenced by economic and market conditions, interest rates and currency exchange rates. Global events may lead to market volatility, which may have an adverse affect on the price of the Notes.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Moreover, any downgrading by one or more credit rating agencies may affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes. We have no obligation to notify holders of the Notes from time to time of changes, or prospective changes, in any credit ratings that may be assigned to the Notes.

THE TRANSACTIONS

In April 2011, German Bidco entered into agreements with Evonik, pursuant to which German Bidco agreed to acquire Evonik Carbon Black, which had previously been separated from Evonik's other operations. The closing of the Primary Acquisition is planned for the end of July 2011. The Offering is part of the overall financing arrangements for the Acquisition. Set forth below is a more detailed description of the Transactions.

The Separation

In June and July 2010, Evonik implemented a reorganization of its carbon black activities in order to separate Evonik's carbon black business from its other operations. Previously, Evonik's carbon black business was principally conducted by ten legal entities solely operating in the carbon black business line and by three legal entities that also operated in other business lines of Evonik. In June 2010, the carbon black business of these three legal entities was transferred to newly formed entities with economic effect as of July 1, 2010.

Following the Separation, Evonik has continued to provide certain administrative and other corporate functions to Evonik Carbon Black, including executive oversight, financial reporting, marketing, human resources, treasury, information technology, accounting, legal, environmental, health and safety, tax, administration, facility management, office, procurement, process technology and engineering services. Evonik Carbon Black has also continued to use some of Evonik's sales personnel for the distribution of a portion of its products. Upon completion of the Acquisition, Evonik will continue to provide support to us with respect to certain of these functions on a transitional basis. The terms of these services and amounts to be paid by us to Evonik are provided in the transitional services agreement described under *"—The Acquisition—Transitional Services Agreement"*.

In addition to services described above, we have historically participated in Evonik's cash management and financing system, including cash-pooling arrangements and inter-company loan agreements. Evonik has also provided us with performance bonds and assistance with certain commercial and local financing arrangements. Our insurance coverage has historically been taken out by Evonik on our behalf, and our commodity and foreign currency exchange hedging strategies have been implemented by Evonik for our account and risk. Upon completion of the Acquisition, we expect to put in place our own cash management and financing system. In addition, we expect to transfer the commodity hedges and to put in place a comparable foreign currency exchange hedging strategy in our own name. We also expect to put in place new insurance policies comparable to those currently in place as well as additional insurance to expand our coverage and address any gaps in coverage resulting from replacing Evonik's insurance.

The Acquisition

Acquisition Agreements

On April 16, 2011, German Bidco entered into the Primary Acquisition Agreement with Evonik Degussa, pursuant to which German Bidco agreed to acquire from Evonik the entities operating its carbon black business with economic effect from January 1, 2011, subject to the following exceptions:

- ECB Netherlands, the Dutch legal entity that has operated the Botlek (the Netherlands) plant, will not be part of the Acquisition. The Botlek (the Netherlands) plant was closed in September 2010 and production and sales volumes have been shifted to Evonik Carbon Black's other European carbon black plants. ECB Netherlands contributed a negative EBITDA (before intercompany reimbursements) of €8.4 million in the Last Twelve Months;
- ECB Holding United States, the U.S. entity that has acted as intermediate holding company of our operating entity in the United States, will not be part of the Acquisition. ECB Holding United States accounted for €39,800 of our total EBITDA in the Last Twelve Months;
- the acquisition of the South African JV is subject to obtaining consent from the other joint venture partner and regulatory approval. If such consent and regulatory approval are not obtained by the Completion Date or an agreed-upon later date, the acquisition of the South African JV may not be completed at all. Neither the Offering nor the related financing transactions described below are conditioned upon the completion of the acquisition of the South African JV. If, however, the acquisition of the South African JV does not occur on or before the Completion Date, the total capacity under the Revolving Credit Facility will be

reduced from $250.0 million to $235.0 million until the consummation of such acquisition; *provided, however,* that if the acquisition of the South African JV does not occur on or before December 31, 2011, the total capacity under the Revolving Credit Facility will be permanently reduced to $235.0 million. German Bidco has agreed with Evonik Degussa that it will offer to purchase the shares of the other joint venture partner if the acquisition is completed and they so request. The South African JV accounted for €7.9 million, or 5.9%, of our total EBITDA in the Last Twelve Months;

- the acquisition of the Chinese JV is subject to obtaining consent from the other joint venture partners and regulatory approval. The Chinese JV is expected to be acquired by way of the Chinese JV Acquisition Agreement dated April 16, 2011, between German Bidco and Evonik Degussa. The acquisition of the Chinese JV is not likely to close until after the Completion Date and may not be completed at all. Neither the Offering nor the related financing transactions described below are conditioned upon the completion of the acquisition of the Chinese JV. German Bidco has agreed with Evonik Degussa that it will offer to purchase the shares of the other joint venture partners if the acquisition is completed and they so request. The Chinese JV accounted for €1.9 million, or 1.4%, of our total EBITDA in the Last Twelve Months; and
- the acquisition of the German JV is subject to obtaining consents and approvals. If these consents and approvals are not obtained by the Completion Date, Evonik may retain its interest in the German JV until such consents and approvals have been obtained. During this period, German Bidco and Evonik Degussa have agreed to put themselves in the same economic position as if the German JV had been acquired on the Completion Date.

The estimated equity purchase price for the Acquisition (including the acquisition of Evonik's interest in the South African JV and the Chinese JV) is €506.0 million, subject to, *inter alia,* an adjustment based on the development of fuel oil prices and exchange rates until the Completion Date. The equity purchase price decreases if the oil price increases above a certain reference price and increases if the oil price decreases below this reference price. In addition, German Bidco has agreed to acquire at par value from Evonik all shareholder loan receivables and intercompany receivables in relation to other group financings that exist on the Completion Date against any of the entities acquired.

The closing of the Primary Acquisition is subject to certain conditions, including the approval by various merger control authorities, the continued existence of certain material agreements and the absence of a material adverse change.

The closing of the Primary Acquisition is planned for the end of July 2011. In the event that the closing conditions are not satisfied by July 31, 2011 (or September 30, 2011, if only the approval by specified merger control authorities is outstanding and Evonik has complied with its undertaking to provide certain assistance in connection with the financing of the Acquisition), each party shall be entitled to terminate the Acquisition Agreements.

In the Acquisition Agreements, Evonik has made certain representations, warranties and covenants to German Bidco that relate to the shares sold under the agreement and the business and financial condition of Evonik Carbon Black. In addition, Evonik Degussa has agreed, subject to certain deductibles, caps, exclusions and procedural requirements, to indemnify German Bidco against taxes relating to Evonik Carbon Black for periods ending on or prior to December 31, 2010, and for certain historical environmental liabilities, including liabilities arising out of or in connection with:

- the Kalscheuren landfill (in excess of currently required monitoring costs and only in excess of €1.2 million);
- the Aransas Pass (Texas) plant, the Baytown (Texas) plant and certain other properties;
- violations of the U.S. Clean Air Act until the Completion Date as regards the operation of older facilities without the "best available control technology (BACT)"; and
- asbestos exposure arising prior to the Completion Date (for the avoidance of doubt, not including any removal or disposal costs of asbestos in building materials).

German Bidco has agreed to indemnify Evonik against all liabilities and risks relating to Evonik Carbon Black, except to the extent that Evonik shall be liable for these liabilities and risks pursuant to the representations and warranties, indemnities or otherwise under the Acquisition Agreements. Further, German Bidco has agreed to release Evonik from performance bonds and other financial instruments made available by Evonik for the benefit of Evonik Carbon Black.

Transitional Services Agreement

In connection with the Acquisition, German Bidco and Evonik Degussa agreed to enter into the Transitional Services Agreement pursuant to which Evonik Degussa will provide, and to cause its affiliates to provide, certain transitional services to Evonik Carbon Black following the completion of the Acquisition. The Transitional Services Evonik Degussa will provide include, without limitation, financial reporting, human resources, treasury, information technology, accounting, administration, facility management, office, procurement, process technology and engineering services. Evonik will provide the Transitional Services to Evonik Carbon Black in a manner consistent with past practice and at prices that are materially the same as the prices at which corresponding services were provided prior to the Completion Date. As promptly as practicable following the execution of the Transitional Services Agreement, German Bidco will use commercially reasonable efforts to transition to similar services sourced internally or via third-parties.

Pursuant to the Transitional Services Agreement, each Transitional Service will terminate between the end of 2011 and July 1, 2012 at the latest (depending on the relevant Transitional Service). Notwithstanding the foregoing, German Bidco is entitled to unilaterally terminate any Transitional Service upon 30 days' written notice to Evonik, and either party is entitled to terminate the Transitional Services Agreement with respect to any Transitional Service at any time upon prior written notice if there is a continuing failure of the other party to perform any of its material obligations under the Transitional Services Agreement relating to such Transitional Service.

The Financing

The financing arrangements entered into in connection with the Acquisition include:

- *Equity Investment*: An investment of approximately €321.2 million by the Principal Shareholders. For more information, see *"Principal Shareholders"*.
- *Notes offered hereby*: €355.0 million principal amount of Euro Notes and $350.0 million principal amount of Dollar Notes offered hereby. For more information, see *"Description of the Notes"*.
- *Revolving Credit Facility*: On the Completion Date, a Revolving Credit Facility in an amount of up to $250.0 million will be available to the Issuer, German Bidco and certain other subsidiaries that become borrowers under the Revolving Credit Facility for general corporate and working capital purposes and, if necessary, to finance part of the Acquisition on the Completion Date. The amount of the Revolving Credit Facility that will be drawn down on the Completion Date depends on a number of factors, including our working capital position on the Completion Date. We currently expect that the Revolving Credit Facility will not be drawn as of the Completion Date, but that there will be letters of credit outstanding under the Revolving Credit Facility. For more information, see *"Description of Other Indebtedness"*.

  If the acquisition of the South African JV does not occur on or before the Completion Date, the total capacity under the Revolving Credit Facility will be reduced from $250.0 million to $235.0 million until the consummation of such acquisition; *provided, however,* that if the acquisition of the South African JV does not occur on or before December 31, 2011, the total capacity under the Revolving Credit Facility will be permanently reduced to $235.0 million.

Escrow of Proceeds

The Offering is expected to be consummated prior to the completion of the Acquisition. Pending the completion of the Acquisition, the gross proceeds from the Offering will be deposited into segregated escrow accounts. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the completion of the Primary Acquisition. If the Primary Acquisition is not consummated on or prior to September 30, 2011, or upon the occurrence of certain events, the Notes will be redeemed at a redemption price equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the issue date to such redemption date. See *"Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption"*.

Upon release of the proceeds from escrow, the gross proceeds of the Offering, together with the Equity Investment, will be used to finance the Acquisition as shown in the table under *"Use of Proceeds"*.

USE OF PROCEEDS

The Offering is expected to be consummated prior to the completion of the Acquisition. Pending consummation of the Primary Acquisition, the Initial Purchasers will deposit the gross proceeds of the Offering into segregated escrow accounts. The escrow accounts will be controlled by, and pledged on a first-ranking basis in favor of, the Trustee for the benefit of the holders of the Notes. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the closing of the Primary Acquisition.

Upon release of the proceeds from escrow, the proceeds of the Offering, together with the Equity Investment as described below, will be used to finance the Acquisition as shown in the table below. The table below presents the estimated sources and uses based on an assumed Completion Date of June 30, 2011. Actual amounts may differ significantly from estimated amounts depending on several factors, including the development of earnings, net working capital, fuel oil prices and exchange rates until the Completion Date, and actual transaction fees and expenses.

Sources		**Uses**	
(Euro in millions)		**(Euro in millions)**	
Notes offered hereby[(1)]	600.0	Acquisition consideration[(3)]	841.5
Equity Investment[(2)]	321.2	Transaction fees and expenses[(4)]	51.6
		Cash for general corporate purposes[(1),(3),(5)]	28.1
Total sources	**921.2**	**Total uses**	**921.2**

(1) Represents the €600.0 million (equivalent) aggregate principal amount of the Notes offered hereby, consisting of €355.0 million of Euro Notes and $350.0 million of Dollar Notes. The principal amount of the $350.0 million Dollar Notes issued in the Offering has been translated at an exchange rate of $1.4252 per €1.00 (as reported by Bloomberg on June 17, 2011) and has been rounded down to the nearest million for presentational purposes. This exchange rate may differ from the exchange rate in effect as of the date the Dollar Notes are issued. To the extent the proceeds exceed the amount needed for the Acquisition consideration, such excess proceeds will be retained as cash for general corporate purposes. Based on our estimated Acquisition consideration, an estimated €3.4 million of excess proceeds is expected to be retained as cash for general corporate purposes on an assumed Completion Date of June 30, 2011.

(2) Represents the estimated investment to be made by the Principal Shareholders.

(3) Represents the estimated equity purchase price of €506.0 million and the estimated amount of existing net debt of €335.5 million on an assumed Completion Date of June 30, 2011. Our estimate of existing net debt assumes a level of working capital at closing in line with the average of that of last year, adjusted for a feedstock price estimated to be equivalent to a Brent oil price of $115 per barrel and for higher trading volumes than last year. Actual existing net debt may differ significantly from our estimate depending on several factors, including the development of earnings, net working capital, fuel oil prices and exchange rates until the Completion Date. To the extent actual existing net debt will differ from our estimate, our cash for general corporate purposes will be adjusted accordingly, and if needed, we will draw under the Revolving Credit Facility. As of March 31, 2011, actual existing net debt was €303.5 million (excluding net debt of ECB Netherlands and ECB Holding United States, which will not be transferred as part of the Acquisition, and excluding derivatives and employee loans), which would have resulted in estimated cash for general corporate purposes of €60.1 million.

The Acquisition consideration includes the consideration for the acquisition of Evonik's interest in the South African JV and the Chinese JV, which may not close simultaneously with the Primary Acquisition or at all. If the acquisitions of the South African JV and/or the Chinese JV do not close, the Acquisition consideration will correspondingly decrease and our cash for general corporate purposes will correspondingly increase. If the purchaser of the carbon black business acquires, in addition to Evonik's interests, the interest of the other joint venture partners in the South African JV and/or the Chinese JV, the Acquisition consideration will correspondingly increase and our cash for general corporate purposes will correspondingly decrease.

(4) Represents the estimated fees and expenses associated with the Acquisition and Financing, including Initial Purchasers' fees and commissions, financing fees, advisory fees and other transaction costs and professional fees.

(5) Represents the estimated cash available for general corporate purposes on an assumed Completion Date of June 30, 2011, consisting of €24.7 million of estimated over-funded cash for operations and €3.4 million of estimated excess proceeds from the Notes offered hereby. Actual cash for general corporate purposes may differ significantly from our estimate depending on several factors as described under (3) above.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2011, on an actual basis and as adjusted to give effect to the Acquisition and the Financing, including the Offering contemplated hereby.

You should read this table in conjunction with *"The Transactions"*, *"Use of Proceeds"*, *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and our audited combined financial statements, the related notes and the other financial information included elsewhere in this offering memorandum.

Capitalization (Euro in millions)	As of March 31, 2011	
	Actual (unaudited)	As adjusted (unaudited)
Total cash and cash equivalents	16.8	28.1(1)
Existing debt(2)	320.3	—
Notes offered hereby(3)	—	600.0
Revolving Credit Facility(4)	—	—
Total debt	**320.3**	**600.0**
Total invested equity(5)	**391.4**	**321.2**
Total capitalization	**711.7**	**921.2**

(1) Represents the estimated cash and cash equivalents on an assumed Completion Date of June 30, 2011, consisting of €24.7 million of estimated over-funded cash for operations and €3.4 million of estimated excess proceeds from the Notes offered hereby. See *"Use of Proceeds"*. Actual cash and cash equivalents may differ significantly from our estimate depending on several factors, including the development of earnings, net working capital, oil prices and exchange rates until the Completion Date, which may impact our estimated existing net debt of €335.5 million on an assumed Completion Date of June 30, 2011. Based on the actual existing net debt of €303.5 million as of March 31, 2011 (excluding net debt of ECB Netherlands and ECB Holding United States, which will not be transferred as part of the Acquisition, and excluding derivatives and employee loans), our estimated cash and cash equivalents would have been €60.1 million.

(2) Mainly represents financial indebtedness owed to Evonik under intercompany loans and cash-pooling arrangements, net of financial indebtedness due from Evonik under such arrangements. Existing debt also includes financial indebtedness owed to banks, primarily outstanding at local entities not participating in Evonik's cash-pooling activities. Existing debt consists of financial liabilities (non-current and current) minus financial assets (non-current and current), excluding financial liabilities and assets of ECB Netherlands and ECB Holding United States, which will not be transferred as part of the Acquisition, and excluding derivatives and employee loans.

(3) Represents the €600.0 million (equivalent) aggregate principal amount of the Notes offered hereby, consisting of €355.0 million of Euro Notes and $350.0 million of Dollar Notes. The principal amount of the $350.0 million Dollar Notes issued in the Offering has been translated at an exchange rate of $1.4252 per €1.00 (as reported by Bloomberg on June 17, 2011) and has been rounded down to the nearest million for presentational purposes. This exchange rate may differ from the exchange rate in effect as of the date the Dollar Notes are issued.

(4) Represents the Revolving Credit Facility in an amount of up to $250.0 million that will be available to the Issuer, German Bidco and certain other subsidiaries that become borrowers under the Revolving Credit Facility for general corporate and working capital purposes and, if necessary, to finance part of the Acquisition on the Completion Date. The amount of the Revolving Credit Facility that will be drawn down on the Completion Date depends on a number of factors, including our working capital position on the Completion Date. We currently expect that the Revolving Credit Facility will not be drawn as of the Completion Date, but that there will be letters of credit outstanding under the Revolving Credit Facility. For more information, see *"Description of Other Indebtedness"*.

If the acquisition of the South African JV does not occur on or before the Completion Date, the total capacity under the Revolving Credit Facility will be reduced from $250.0 million to $235.0 million until the consummation of such acquisition; *provided, however,* that if the acquisition of the South African JV does not occur on or before December 31, 2011, the total capacity under the Revolving Credit Facility will be permanently reduced to $235.0 million.

(5) Prior to completion of the Acquisition, total invested equity represents the difference between assets and liabilities as allocated to Evonik Carbon Black under the applied carve-out rules (excluding equity of ECB Netherlands and ECB Holding United States, which will not be transferred as part of the Acquisition, and excluding equity attributable to non-controlling interests). See *"Presentation of Financial and Other Information"*. Following the completion of the Acquisition, total invested equity represents the estimated investment to be made by the Principal Shareholders.

SELECTED HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth our selected historical financial information and other data. The selected historical financial information and other data set forth below have been derived from our audited combined financial statements for each of Fiscal Year 2008, 2009 and 2010, and our unaudited condensed interim combined financial statements for each of First Quarter 2010 and 2011. This selected historical financial information and other data should be read in conjunction with and is qualified in its entirety by reference to our combined financial statements, including the notes thereto, and the information under *"Management's Discussion and Analysis of Financial Condition and Results of Operations"*, *"Presentation of Financial and Other Information"* and *"Business"*, each of which is included elsewhere in this offering memorandum.

Evonik Carbon Black has historically operated as a business line of Evonik and reported its results as part of Evonik's business unit "Inorganic Materials". The combined financial statements of Evonik Carbon Black have been prepared on a "carve-out" basis from Evonik's consolidated financial statements using the historical financial information attributable to Evonik Carbon Black and include allocations of income, expenses, assets, liabilities and cash flows from Evonik.

For the preparation of the combined financial statements it was necessary to make assumptions and estimates for carve-out adjustments. Accordingly, the combined financial statements do not necessarily reflect the financial position and performance that would have been presented if Evonik Carbon Black had already existed as an independent company during the periods presented and if the transactions between Evonik Carbon Black and other Evonik group companies had been carried out between independent companies. As a result, the combined financial statements are not necessarily indicative of the future development of the business.

The combined financial statements of Evonik Carbon Black present the financial position and performance of Evonik Carbon Black as it has existed under Evonik's ownership, which differs from the business as it will be operated after the completion of the Acquisition in various respects. See *"Presentation of Financial and Other Information"*.

Income Statement Data	**Year Ended December 31,**			**Three Months Ended March 31,**		**Twelve Months Ended March 31,**
(Euro in millions)	**2008**	**2009**	**2010**	**2010**	**2011**	**2011**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Sales	**1,186.0**	**839.5**	**1,186.2**	**280.2**	**338.9**	**1,244.9**
Cost of sales	(1,003.7)	(714.7)	(942.2)	(226.3)	(270.8)	(986.7)
Gross profit on sales	**182.3**	**124.8**	**244.0**	**53.9**	**68.1**	**258.2**
Selling expenses	(117.4)	(90.7)	(103.5)	(25.1)	(27.2)	(105.6)
Research and development expenses	(12.3)	(11.5)	(10.4)	(2.8)	(2.6)	(10.2)
General administrative expenses	(54.2)	(42.3)	(48.4)	(10.6)	(12.0)	(49.8)
Other operating expenses, net	(5.9)	(28.6)	(6.3)	(2.0)	(1.7)	(6.0)
Impairment loss on non-current assets, net of reversal of impairments	(90.9)	(108.9)	13.0	—	—	13.0
Operating profit (loss)	**(98.4)**	**(157.2)**	**88.4**	**13.4**	**24.6**	**99.6**
Interest expense, net	(14.1)	(11.5)	(16.4)	(3.0)	(4.9)	(18.3)
Result from investments recognized at equity	0.4	0.4	0.4	0.1	0.1	0.4
Profit (loss) before taxes	**(112.1)**	**(168.3)**	**72.4**	**10.5**	**19.8**	**81.7**
Income taxes	8.7	4.6	(29.1)	(3.0)	(6.6)	(32.7)
Profit (loss) after taxes	**(103.4)**	**(163.7)**	**43.3**	**7.5**	**13.2**	**49.0**

Balance Sheet Data	**As of December 31,**			**As of March 31,**
(Euro in millions)	**2008**	**2009**	**2010**	**2011**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**
Cash and cash equivalents	11.3	10.2	28.1	16.8
Net working capital[(1),(6)]	321.2	240.7	289.7	335.8
Property, plant and equipment	342.6	338.4	368.0	353.0
Total assets	1,111.3	935.0	1,084.7	1,068.1
Total liabilities	468.2	468.5	666.8	636.2
Total invested equity	643.1	466.5	417.9	431.9

Cash Flow Statement Data	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
(Euro in millions)	2008	2009	2010	2010	2011	2011
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from (used in) operating activities	(40.9)	81.6	47.5	(24.5)	(22.0)	50.0
Change in net working capital(1),(6)	*(39.0)*	*80.7*	*(49.1)*	*(47.2)*	*(46.2)*	*(48.1)*
Cash flow from (used in) investing activities	(38.6)	(19.7)	(28.6)	(1.6)	(6.2)	(33.2)
Cash flow from (used in) financing activities	87.8	(63.5)	(2.7)	18.5	17.8	(3.4)
Change in cash and cash equivalents	**8.3**	**(1.6)**	**16.2**	**(7.6)**	**(10.4)**	**13.4**
Changes in exchange rates and other changes in cash and cash equivalents	(1.3)	0.5	1.7	0.4	(0.9)	0.4
Cash and cash equivalents at the beginning of the period	4.3	11.3	10.2	10.2	28.1	3.0
Cash and cash equivalents at the end of the period	**11.3**	**10.2**	**28.1**	**3.0**	**16.8**	**16.8**

Other Financial Data	Year Ended December 31,			Three Months Ended March 31,		As of and for the Twelve Months Ended March 31,
(Euro in millions, except as otherwise indicated)	2008	2009	2010	2010	2011	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Adjusted EBITDA(2)	97.0	65.3	152.3	31.0	43.2	164.5
Raw material margin(3)	413.2	355.9	497.3	106.6	123.5	514.2
Raw material margin per ton (in €/ton)(3)	366.1	369.0	449.2	382.1	414.6	456.6
Depreciation and amortization(4)	62.9	47.1	47.4	11.5	11.8	47.7
Capital expenditures(5)	38.6	20.5	29.3	1.7	6.3	33.9

(1) Net working capital means inventories plus trade accounts receivable minus trade accounts payable.

(2) EBITDA represents operating profit (loss) before depreciation, amortization, impairment losses and income from the reversal of impairments. Adjusted EBITDA represents EBITDA as adjusted for non-recurring items, corporate center charges related to Evonik's head office services, incremental stand-alone costs, hedging losses from our discontinued commodity hedging strategy, EBITDA from Evonik's non-consolidated worldwide sales offices to the extent related to the sale and distribution of carbon black, and savings related to the closed Botlek (the Netherlands) plant. Different companies and analysts may calculate EBITDA-based measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of our operations in accordance with IFRS. See *"Presentation of Financial and Other Information"*.

(3) Raw material margin represents sales less cost of raw materials, supplies and purchased commodities (excluding discontinued hedging strategy losses of €16.7 million in Fiscal Year 2008 and €26.2 million in Fiscal Year 2009). Raw material margin per ton represents raw material margin divided by sales volume in tons. We believe raw material margin can provide a useful basis for comparing the current performance of the underlying operations being evaluated, because our sales are strongly impacted by fluctuations in raw material costs, in particular the cost of carbon black oil, our principal feedstock. Different companies and analysts may calculate raw material margin differently, so making comparisons among companies on this basis should be done very carefully. Raw material margin is not a measure of performance under IFRS and should not be considered in isolation or construed as a substitute for operating profit or net profit as an indicator of our operations in accordance with IFRS. See *"Presentation of Financial and Other Information"*.

(4) Depreciation amounted to €49.9 million, €36.0 million, €38.4 million, €9.3 million, €9.8 million and €38.9 million for each of Fiscal Year 2008, 2009 and 2010, First Quarter 2010 and 2011, and the Last Twelve Months, respectively. Amortization amounted to €13.0 million, €11.1 million, €9.0 million, €2.2 million, €2.0 million and €8.8 million for each of Fiscal Year 2008, 2009 and 2010, First Quarter 2010 and 2011, and the Last Twelve Months, respectively.

(5) Capital expenditures include both maintenance and non-recurring capital expenditures. Maintenance capital expenditures amounted to €31.7 million, €16.7 million, €21.0 million, €1.4 million, €4.6 million and €24.2 million for each of Fiscal Year 2008, 2009 and 2010, First Quarter 2010 and 2011, and the Last Twelve Months, respectively. Non-recurring capital expenditures, mainly to increase capacity and efficiency, amounted to €6.9 million, €3.8 million, €8.3 million, €0.3 million, €1.7 million and €9.7 million for each of Fiscal Year 2008, 2009 and 2010, First Quarter 2010 and 2011, and the Last Twelve Months, respectively.

(6) Unaudited.

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

The following discussion and analysis summarizes the significant factors affecting our results of operations and financial condition during the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2010 and 2011. This discussion contains certain forward-looking statements. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, particularly under the captions "Forward-Looking Statements" and "Risk Factors". This discussion should be read in conjunction with our combined financial statements and related notes included elsewhere in this offering memorandum.

Evonik Carbon Black has historically operated as a business line of Evonik and reported its results as part of Evonik's business unit "Inorganic Materials". The combined financial statements of Evonik Carbon Black have been prepared on a "carve-out" basis from Evonik's consolidated financial statements using the historical financial information attributable to Evonik Carbon Black and include allocations of income, expenses, assets, liabilities and cash flows from Evonik.

For the preparation of the combined financial statements it was necessary to make assumptions and estimates for carve-out adjustments. Accordingly, the combined financial statements do not necessarily reflect the financial position and performance that would have been presented if Evonik Carbon Black had already existed as an independent company during the periods presented and if the transactions between Evonik Carbon Black and other Evonik group companies had been carried out between independent companies. As a result, the combined financial statements are not necessarily indicative of the future development of the business.

The combined financial statements of Evonik Carbon Black present the financial position and performance of Evonik Carbon Black as it has existed under Evonik's ownership, which differs from the business as it will be operated after the completion of the Acquisition in various respects. See "Presentation of Financial and Other Information".

Overview

We are a leading global producer of carbon black headquartered in Germany. Carbon black is a powdery form of carbon that is customized to impart or enhance certain physical, electrical and optical properties of various materials. Carbon black products are primarily used as additives in coatings, plastics and printing inks (pigment black) and in the reinforcement of rubber (rubber black).

In the Last Twelve Months, we generated sales of €1,244.9 million and Adjusted EBITDA of €164.5 million on a volume of 1,126.1 kmt. We operate a diversified carbon black production platform with more than 130 pigment grades and approximately 40 rubber grades. Our product portfolio is one of the broadest in the industry and is divided across the following two product lines:

- *Pigment Black*. We were the largest global producer of pigment black with an estimated industry share of 35% in 2010 based on revenue. We produce pigment black for several highly specialized niche applications. Pigment black imparts specific desirable characteristics, such as high-quality durable pigmentation, UV protection and conductivity. Pigment black is primarily used in coatings, plastics, printing inks and other specialty applications. In the Last Twelve Months, the pigment black product line accounted for 29.4% of total sales, 65.2% of EBITDA (before unallocated costs, net) and 17.2% of total volume.
- *Rubber Black*. We were the third largest global producer of rubber black with an estimated industry share of 10% in 2010 based on capacity. Rubber black is primarily used for reinforcement of rubber in tires and mechanical rubber goods. In the Last Twelve Months, the rubber black product line accounted for 70.6% of total sales, 34.8% of EBITDA (before unallocated costs, net) and 82.8% of total volume.

The following table provides an overview of carbon black applications divided by our product lines and sectors.

Product Lines	Sectors	Applications
Pigment Black	Coatings	Automotive, general industrial, architecture and decorative
	Plastics	Pipe, wire and cable, films, blow and injection molding, fiber and other
	Printing Inks	Packaging and print media
	Dealers & Others	Dealer sales and other specialty applications
Rubber Black	Tires	Automotive, agriculture and other
	Mechanical Rubber Goods	Industrial, automotive and construction

We have more than 75 years of experience and enjoy a long-standing reputation within the carbon black industry for applications knowledge, technical expertise and innovation, built upon continually improving processes, some of which were originally developed by our predecessor company Evonik (formerly Degussa). This experience has enabled us to develop our core competencies and proprietary technologies across the carbon black value chain. We focus on providing consistent product quality, reliability and innovation through advanced research and development and application technology.

Our sophisticated research and development and application technology teams work closely with our major clients to develop innovative products and applications, while strengthening customer relationships and improving communication flow. Long-term research and development alliances and superior technical interface with customers allows us to develop tailored solutions and meet unique customer requirements. As a result, we have been able to generate attractive margins for our highly specialized carbon black products.

We operate a modern and comprehensive supply chain network comprising 16 production plants, located in Europe, North America, South Korea, China, South Africa and Brazil, supported by global warehousing and logistics capabilities. Through our global operations, we are able to serve the largest blue-chip consumers of specialty pigments and the leading international tire and mechanical rubber goods customers across a wide spectrum of different carbon black qualities and grades.

In terms of geographical distribution, we generated €447.4 million, or 35.9%, of sales in Europe, €270.5 million, or 21.7%, in North America, €197.3 million, or 15.8%, in South Korea, €88.8 million, or 7.1%, in China, €68.0 million, or 5.5%, in South Africa, €47.3 million, or 3.8%, in Brazil, and €125.6 million, or 10.1%, in other countries in the Last Twelve Months.

Key Factors Affecting Our Results of Operations

We believe that the following factors have had, and will continue to have, a material effect on our results of operations and financial condition. As many of these factors are beyond our control and certain of these factors have historically been volatile, past performance will not necessarily be indicative of future performance and it is difficult to predict future performance with any degree of certainty. In addition, important factors that could cause our actual operations or financial conditions to differ materially from those expressed or implied below, include, but are not limited to, factors indicated in this offering memorandum under *"Risk Factors"*.

General Economic Conditions and Cyclicality

Our results of operations are affected by worldwide economic conditions. Because carbon black is used in a diverse group of end products, demand for carbon black has historically been related to real GDP and general global economic conditions. In particular, a large part of our sales has direct exposure to the cyclical automotive industry and, to a lesser extent, the construction industry. As a result, our results of operations experience a level of inherent cyclicality. The nature of our business and our large fixed asset base make it difficult to rapidly adjust our fixed costs downward when demand for our products declines, which materially affects our results of operations. For example, we experienced a decrease in sales volume of 20.3% in 2008 and 2009 combined, in the wake of the global financial and economic crisis, followed by a recovery in sales volume of 14.8% in Fiscal Year 2010. As a result, our results of operations dropped sharply in the second half of 2008 and 2009, and recovered again in 2010. If actual results differ significantly from management's assumptions and expectations, we may not be able to realize the value of the assets recorded, which could lead to an impairment or write-off of certain of these assets and further affect our results of operations. For example, we recorded impairment losses of €90.9 million on various production plants in 2008 and we recorded goodwill impairment losses of €107.0 million in 2009 as a result of the global financial and economic crisis, which started to have an impact from the last quarter of 2008 and resulted in far weaker business expectations for these plants. In 2010, however, we recorded €19.0 million of income from reversals of impairment losses as a result of the improved long-term market outlook for carbon black, particularly in the automotive industry.

Drivers of Demand

Besides general global economic conditions, certain specific drivers of demand for carbon black differ per product line. Pigment black has a wide variety of end-uses and demand is largely driven by the development of the coatings, plastics and printing inks industries. Demand for pigment black in the coatings and plastics industries is mainly influenced by the levels of industrialization, infrastructure, construction and car ownership. Demand for pigment black in printing inks is mainly influenced by developments in print media and packaging materials. Demand for rubber black is largely driven by the development of the tire and mechanical rubber goods industries. Demand for rubber black in tires is mainly influenced by the number of replacement and original equipment tires produced, which in turn is driven by (i) vehicle trends, including the number of vehicles produced and registered, and the number of miles driven, (ii) demand for high-performance tires, (iii) demand for larger vehicles, such as trucks and buses, and (iv) changes in regulatory requirements. Demand for rubber black in mechanical rubber goods is mainly influenced by vehicle trends, construction activity and industrial production.

Demand in the developed West European and North American regions is mainly driven by demographic demand, high quality customer requirements, stringent tire regulation standards and relatively stable tire replacement demand. Demand in emerging markets is mainly driven by the growing middle class, rapid industrialization, new infrastructure spending and increasing car ownership trends. The growth in tire and vehicle production in turn drives demand for both original equipment manufacturing and replacement tires in developing regions. See *"Industry"*.

Asset Utilization

Our results of operations are influenced by structural changes in the industries in which we operate, such as the entry of new suppliers, product substitution, changing technologies, industry consolidation and the migration of customers to lower cost-countries. Margins in the carbon black industry, and the chemical industry generally, are strongly influenced by industry utilization. As demand for products approaches available supply, utilization rates rise, and prices and margins typically increase. Historically, this relationship has been highly cyclical, due to fluctuations in supply resulting from the timing of new investments in capacity and general economic conditions affecting the relative strength or weakness of demand. Generally, capacity is more likely to be added in periods when current or expected future demand is strong and margins are, or are expected to be, high. Investments in new capacity can result, and in the past frequently have resulted, in over-capacity, which typically leads to a reduction of margins. For example, some of our customers have shifted, and may continue to shift, manufacturing capacity from mature regions, such as North America and Europe, to emerging regions, such as Asia and South America. Consequently, competitors in China have aggressively added capacity at a far greater rate than demand has risen, which has resulted in pressured margins in the region. In response, producers typically reduce capacity utilization or limit further capacity additions, eventually causing the industry to be relatively undersupplied. In recent years, a systematic reduction in capacity in North America and Europe has enabled us to preserve margins and increase our utilization rates.

We estimate our average plant utilization rate at 85% for Fiscal Year 2010. We aim to optimize our plant utilization, even in periods of weakening demand for our products. We have made recent investments in strategic sites to increase the flexibility of our production platform. This allows us to opportunistically upgrade and expand our capacity to produce higher margin products and enables us to shift additional production capacity within a short time frame to specialty pigment black products and rubber black for higher-end mechanical rubber goods. We intend to achieve further growth in production volume by improving utilization rates, improving availability of our assets by minimizing planned and unplanned facility downtime and improving capacity of our assets through systematic supply chain planning and improved operating technologies. Unplanned outages can impact our operating results. Similarly, planned or unplanned outages of our competitors can positively affect our operating results by decreasing the supply of product in the industry.

Raw Material and Energy Costs

Impact on Results of Operations

Our results of operations are affected by fluctuations in raw material and energy prices. Our manufacturing processes consume significant amounts of raw materials and energy, the costs of which are subject to worldwide supply and demand as well as other factors beyond our control. In Fiscal Year 2010, raw materials accounted for approximately 70% of the total manufacturing cost of the final product. Approximately 90% of the raw material used in the production of carbon black is an oil-based feedstock known as carbon black oil, with some limited use of other materials, such as nitrogen tetroxide, hydrogen and natural gas. The pricing of carbon black oil is linked to the price of heavy fuel oil and is generally benchmarked against Platts indices of mainly three regions, namely the U.S. Gulf Coast, Rotterdam and Singapore. The ultimate carbon black oil price also depends on carbon black oil specific quality characteristics, differentials (premiums or discounts), freight costs and region specific supply and demand. Carbon black oil procurement is an important factor in achieving best in-class production costs. We purchase approximately half of our carbon black oil supply in the spot market and half through contracts. Almost all of our purchases have pricing terms that fluctuate with underlying feedstock price indices.

Ability to Pass Through Raw Material Cost Increases

The costs for raw materials and energy have fluctuated significantly and may continue to fluctuate in the future. We have a proactive price and contract management strategy, which supports our efforts to preserve margins via pass-through of feedstock cost increases to customers on a timely basis. A significant proportion of our contracts has formula-driven price adjustment mechanisms for changes in raw material costs (79% in tires, 67% in mechanical rubber goods and 27% in pigments based on estimated sales volumes for 2011). These contracts allow us to pass through changes in raw material costs to customers typically within three months. This supports our efforts to maintain margins in most volatile raw material pricing environments. For example, Brent crude oil prices peaked at $146 per barrel in July 2008 and subsequently decreased to $37 per barrel in December 2008. Despite the significant fluctuation in oil price and the fact that the average Brent crude oil price in 2008 was considerably higher at $99 per barrel compared to $63 per barrel in 2009, we were able to maintain our average raw material margin per ton of €366.1 in 2008 compared to €369.0 in 2009. Over the last few years, we have shifted a significant number of contracts from quarterly price adjustments to monthly price adjustments to improve the speed at which we pass through raw material cost changes to further stabilize our margins. As a result, the percentage of contracts with monthly price adjustments has more than doubled in the past three years based on volume. We also have a significant share of short-term non-indexed contracts (21% in tires, 33% in mechanical rubber goods and 73% in pigments based on estimated sales volumes for 2011), the majority of which we are generally able to reprice frequently, typically on a quarterly basis. Pigment contracts are mostly short-term and non-indexed, reflecting a price structure that is more driven by value in use rather than production costs. This allows us to renegotiate these contracts more frequently, which we believe generally favors the pricing of our customized pigment black products for niche applications. Success in offsetting increased raw material and feedstock costs with price increases is largely influenced by competitive and economic conditions and could vary significantly depending on the segment served.

Windfall Gains and Losses

Oil price development is usually reflected in our variable costs of sales with a delay of one to three months depending on inbound logistics and inventory turnover rates. Under our formula-driven contracts, the impact of oil price fluctuations is typically passed on to customers within three months, which results in windfall gains and losses in times of highly volatile oil price developments. During times of significant increases in oil prices, windfall losses have a negative impact on raw material margins in the short term. In contrast, we realize higher margins during times of falling oil prices as a result of windfall gains. The effect of rapidly changing oil prices is generally countercyclical, with price increases as a result of economic recovery resulting in windfall losses and price decreases in windfall gains. In times of relatively stable oil price developments, the effects are less significant. To protect our business against significant oil price volatility, we have been implementing supplemental hedging activities to mitigate the effects of windfall losses. We currently hedge against the time-lag exposure between contract price adjustments, rather than the oil price itself. The hedging strategy initiated in January 2010 is aimed at hedging up to 50% of the volume of our contracts with quarterly price adjustments once it has been fully implemented in 2012. We currently have already implemented approximately 20% of this target. Moreover, we continue to shift contracts from quarterly price adjustments to monthly price adjustments to reduce the need for hedging. Under our hedging strategy, we typically use spread hedges to hedge against carbon black oil price risks resulting from quarterly adjusted sales price formulas. We do not enter or exit hedge positions on a speculative basis.

Impact on Net Working Capital Requirements

Changes in raw material and energy prices have a direct impact on our net working capital levels. In general, increases in the cost of raw materials lead to an increase in our net working capital requirements, as our inventories and trade receivables increase as a result of higher carbon black oil price and related sales levels, partially offset by an increase in trade payables. Due to the quantity of carbon oil that we typically keep in stock, this increase occurs gradually over a period of three months. Conversely, decreases in the cost of raw materials lead to a decrease in our net working capital requirements within a three-month period following the decrease in costs. In July 2008, Brent crude oil prices peaked at $146 per barrel, which significantly increased our net working capital requirements in September 2008. Subsequently, in December 2008, Brent crude oil prices decreased to $37 per barrel and remained at low levels throughout the beginning of 2009. Our net working capital requirements decreased accordingly in the first half of 2009. Based on 2010 net working capital requirements, we estimate that a $10 per barrel movement in the Brent crude oil price correlates to a movement in our net working capital requirements of approximately €25.0 million within a three-month period. In times of relatively stable oil prices, the effects on our net working capital levels are less significant. Working capital swings increase, however, in an environment of high price volatility. For example, the negative impact on our net working capital requirements became visible in 2008 when oil prices increased rapidly. See *"Risk Factors—Risks Related to Our Business—We are subject to volatility in the costs and availability of raw materials and energy, which could decrease our margins and adversely affect our business, financial condition, results of operations and cash flows"*.

Shift to Higher Margin Product Mix

Our results of operations are affected by our shift in product mix towards higher margin products. Due to the specialized and highly customized nature of the pigment black business, margins have generally been higher when compared to the rubber black business. In the Last Twelve Months, our EBITDA margin (before unallocated expenses, net) for the pigment black product line was 27.9%. Our flexible production platform enables us to shift additional production capacity within a short time frame to higher margin carbon black products, while at the same time reducing or discontinuing less profitable product lines. As a result, we have been able to increase our pigment black sales as a percentage of total sales from 25.8% in 2008 to 29.3% in 2010, which has resulted in an overall improvement of our raw material margin. We have made recent investments in strategic sites to increase the flexibility of our production platform. For example, we have migrated production lines from rubber black to pigment black at our Malmö (Sweden) and Belpre (Ohio) plants. We have upgraded our rubber black production lines for mechanical rubber goods in South Korea and Italy and are in the process of installing a "swing production line" in China, which will allow us to easily shift production capacity between rubber black for tires and mechanical rubber goods. We believe that these investments will allow us to shift additional production towards higher margin products and applications. We continue to upgrade and expand our pigment black capacity. In addition, we pursue higher margin rubber black product opportunities by focusing on value-added segments in tires and mechanical rubber goods. For example, over the last few years we have increased the share of our higher margin mechanical rubber goods applications within our rubber black product line. We continue to realign the portfolio towards higher margin rubber grades and increase their share of total rubber black capacity.

Restructuring and Other Cost Saving Initiatives

Our results of operations are affected by our restructuring and other cost saving initiatives. As a response to the economic downturn and deteriorating demand in our end markets, we implemented a restructuring program in 2008, including plant closures, reduced overhead costs, reduced product portfolio complexity and improved sourcing. Significant cost savings were also realized in 2009 due to a tightening of overall cost management, an overhead headcount reduction of approximately 40 FTEs primarily at German sites, plant network optimization with the closure of plants in the United States and a reduction in variable-based bonus payments of 25%. Between 2008 and 2010, we actively streamlined the manufacturing footprint by closing facilities in North America and Europe. In 2008, we closed our Aransas Pass (Texas) plant (capacity 60 kmt) and a rubber black unit in Belpre (Ohio), which was subsequently restarted as a pigment black unit. The technical center in Akron (Ohio) was closed in 2009 and its activities were subsequently consolidated in Piscataway (New Jersey) and Kalscheuren (Germany). In 2010, we closed the Botlek (the Netherlands) facility (capacity 85 kmt). These closures were made on the basis of the cost-benefit analysis conducted with respect to their utilization rates and the general economic downturn in the relevant industries for the products produced at these facilities.

Foreign Currency Exchange Rate Fluctuations

Our results of operations and net working capital are affected by both the transaction effects and the translation effects of foreign currency exchange rate fluctuations. We are exposed to currency fluctuation when we convert currencies that we receive for our products into currencies required to pay our debt, or into currencies in which we purchase raw materials, meet our fixed costs or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. Fluctuations in currency exchange rates could require us to reduce our prices to remain competitive in foreign regions. In each case, the relevant income or expense is reported in the relevant local currency and translated into Euro at the applicable currency exchange rate for inclusion in our combined financial statements. Therefore, our financial results in any given period are materially affected by fluctuations in the value of the Euro relative to other currencies, in particular the U.S. Dollar. Generally, an appreciation of the U.S. Dollar has a negative impact on our results of operations and net working capital, because a large part of our raw material purchases is in U.S. Dollars. We manage our foreign currency exchange exposure through normal operating and financing activities and, when deemed appropriate, through the use of derivative instruments, which are currently entered into for our account by Evonik. We use customary products to manage foreign exchange risk, including forward exchange contracts and currency options. Our policy is to hedge accounts payable and accounts receivable, and sales orders and purchase orders with foreign exchange forward contracts with a hedging ratio of 100%. We do not use foreign exchange hedging for expected exposure as our expected exposure from sales is largely offset by our expected exposure from purchases. Historically, Evonik has maintained our foreign currency exchange hedging strategy for our account and risk. However, the foreign exchange derivative instruments existing on the Completion Date will not be transferred to us by Evonik. Following the Completion Date, we expect to put in place a comparable foreign currency exchange hedging strategy in our name to manage our foreign currency exchange exposure.

Current and Future Environmental Regulations

Our operations are subject to extensive environmental laws and regulations, which require us to invest significant financial and technical resources to maintain compliance with applicable requirements. If environmental harm is found to have occurred as a result of our current or historical operations, we may incur significant remediation costs at current or former production facilities or third-party sites and pay fines and damages. Many of our facilities have a long history of operation and have never been the subject of comprehensive environmental investigations. As a result our environmental compliance and remediation costs could increase. Future closure and decommissioning at any of these facilities, or of process units at these facilities, could result in significant remediation costs. For instance, many of our facilities have onsite landfills, storage tanks, wastewater treatment systems, ponds and other units that have been in use for a number of years, and we may incur significant costs in order to close these units in accordance with applicable laws and regulations and to address related contamination of soil and groundwater. In addition, during 2008 and 2009, the EPA contacted major U.S. carbon black producers, requesting extensive and comprehensive information under Section 114 of the Clean Air Act. Our Belpre (Ohio) facility was an initial subject of these investigations and has received notices from the EPA alleging violations of our permits under the Clean Air Act. Process and operational modifications over time at our other U.S. facilities are also being investigated by the EPA under Section 114 of the Clean Air Act. We have furnished information to the EPA on each of our U.S. facilities, including plant improvements and production emissions, and while we have a limited indemnity from Evonik against certain fines and costs arising under the Clean Air Act, we may be subject to further enforcement action and/or civil or judicial penalties and may be required to make capital expenditures in connection with air emissions at our U.S. facilities. In particular, we may be subject to regulations currently proposed by the EPA to establish “Maximum Achievable Control Technology” for air emissions from certain industrial boilers and process heaters.

Changes to environmental regulations or laws that may affect previously unregulated aspects of our business may also require us to incur significant compliance costs. New regulations requiring further reductions of greenhouse gas and other emissions are being considered in Europe, the United States, China, Brazil and South Korea. Our carbon black operations may generate more CO_2 than is permitted under current or future allocation schemes for greenhouse gas emissions, requiring us either to purchase emission credits or to make modifications to our production processes to reduce emissions. Additionally, nanoscale materials, including carbon black, are under increased scrutiny in multiple jurisdictions and are likely to be subject to stricter regulation in the future, which may require us to incur significant costs in order to comply with new laws and requirements.

Environmental considerations can also affect the industries in which we operate, including our position with respect to our competitors. For example, new tire labeling regulatory requirements globally, and particularly in Europe, are expected to reduce the threat of low-cost tire imports significantly and to favorably affect demand in developed regions.

Pursuant to the Acquisition Agreements, Evonik Degussa has agreed, subject to certain deductibles, caps, exclusions and procedural requirements, to indemnify us for certain other historical environmental liabilities. See *"The Transactions"*.

The Transactions

The Transactions will also have a significant effect on our financial profile in a number of respects. In particular:

- *The Separation*. We have historically operated as a business line of Evonik and reported our results as part of Evonik's business unit "Inorganic Materials". Our combined financial statements included elsewhere in this offering memorandum have been prepared on a "carve-out" basis from Evonik's consolidated financial statements using the historical financial information attributable to Evonik Carbon Black and include allocations of income, expenses, assets, liabilities and cash flows from Evonik. For the preparation of our combined financial statements it was necessary to make assumptions and estimates for carve-out adjustments. As a result, our combined financial statements do not necessarily reflect the financial position and performance that would have been presented if we had already existed as an independent company during the periods presented and if the transactions between us and other Evonik group companies had been carried out between independent companies and are not necessarily indicative of the future development of our business. The combined financial statements of Evonik Carbon Black present the financial position and performance of Evonik Carbon Black as it has existed under Evonik's ownership, which differs from the business as it will be operated after the completion of the Acquisition in various respects. See *"Presentation of Financial and Other Information"*.

  We have historically participated in Evonik's cash management and financing system, including cash-pooling arrangements and inter-company loan agreements. Evonik has also provided us with performance bonds and assistance with certain commercial and local financing arrangements. Our insurance coverage has historically been taken out by Evonik on our behalf, and our commodity and foreign currency exchange hedging strategies have been implemented by Evonik for our account and risk. Upon completion of the Acquisition, we expect to put in place our own cash management and financing system. In addition, we expect to transfer the commodity hedges and to put in place a comparable foreign currency exchange hedging strategy in our own name. We also expect to put in place new insurance policies comparable to the those currently in place as well as additional insurance to expand our coverage and address any gaps in coverage resulting from replacing Evonik's insurance.

  In addition, Evonik has historically provided us with certain corporate services, including executive oversight, financial reporting, marketing, human resources, treasury, information technology, accounting, legal, environmental, health and safety, tax, administration, facility management, office, procurement, process technology and engineering services. Upon completion of the Acquisition, Evonik will continue to provide certain corporate services under a transition services agreement. See *"The Transactions—The Acquisition—Transitional Services Agreement"*. During the period of the transition services agreement, we will incur one-time costs for transition activities and may incur some duplicative expenses as we start up certain stand-alone functions. We estimate that these one-time costs will amount to approximately €15.0 million to be incurred over a twelve-month period following the Completion Date.

- *The Acquisition*. The Acquisition will be accounted for using the purchase method of accounting and, accordingly, will result in the recognition of assets acquired and liabilities assumed at their respective fair values. The final estimation of the fair values of assets acquired and liabilities assumed could differ significantly from the carrying values of assets and liabilities reported in our combined financial statements. As a result, our depreciation and amortization expenses may differ significantly, which will be reflected in our cost of sales and other expenses. The Acquisition will also result in a step-up for income tax purposes of the book value of the assets of Evonik Carbon Black.
- *The Financing*. We will incur a substantial amount of new debt to finance the Acquisition. As of March 31, 2011, we had €320.3 million of existing debt (excluding debt of ECB Netherlands and ECB Holding United States, which will not be transferred as part of the Acquisition, and excluding derivatives and employee loans), and, after giving effect to the Acquisition, we would have had €600.0 million (equivalent) of total debt, consisting of €355.0 million of Euro Notes and $350.0 million of Dollar Notes offered hereby. The principal amount of the $350.0 million Dollar Notes issued in the Offering has been translated at an exchange rate of $1.4252 per €1.00 (as reported by Bloomberg on June 17, 2011) and has been rounded down to the nearest million for presentational purposes. This exchange rate may differ from the exchange rate in effect as of the date the Dollar Notes are issued. See *"Use of Proceeds"* and *"Capitalization"*. Our future results of operations, and in particular our financial expenses, will be affected by this indebtedness, including the interest we pay on this indebtedness. The servicing of this indebtedness will impact, among other things, our cash flows and our cash balance. Accordingly, our financial results following consummation of the Transactions may differ significantly from the financial results previously reported by us.

Discussion of Principal Operating Results Items

Sales

Sales includes revenues from the sales of goods and services as well as energy by-products. Revenue represents the invoiced value of goods and services sold to third parties, net of sales discounts and value added taxes. The pricing for products is generally linked to our raw material and energy prices, in particular carbon black oil prices.

Cost of Sales

Cost of sales includes variable and fixed production costs. Variable production costs include raw materials, utilities and packaging. Fixed production costs include production wages and salaries, rent, amortization and depreciation of assets used in our production, repairs and maintenance.

Selling Expenses

Selling expenses includes the costs of freight, warehousing, sales and distribution wages and salaries, rent and depreciation of assets used in our sales, marketing, distribution and applied technology departments.

Research and Development Expenses

Research and development expenses includes research and development wages and salaries, and rent and depreciation of assets used in our research and development departments. Research and development activities mainly consist of fundamental research, process development and product engineering.

General Administrative Expenses

General administrative expenses includes indirect overhead, mainly consisting of wages and salaries, rent and fees for third-party services, such as auditors' and lawyers' fees.

Other Operating Income and Expense

Other operating income includes income from currency translation of monetary assets and liabilities, income from the measurement of derivatives, income from the reversal of provisions, and income from disposal of assets. Other operating expenses includes losses on currency translation of monetary assets and liabilities, losses on the measurement of derivatives, additions to provisions, losses on the disposal of assets, and restructuring expenses.

Impairment Loss on Non-current Assets, Net

Impairment loss on non-current assets includes impairments of tangible, depreciable assets, as well as goodwill, in connection with the economic crisis, which resulted in far weaker business expectations. Income from the reversal of impairments of non-current assets includes income realized as a result of the improved long-term market outlook for carbon black following the economic recovery.

Interest Income and Expense

Interest income includes income from cash-pooling assets. Interest expense includes interest on interest-bearing liabilities, such as bank debt, loans from Evonik and cash-pooling liabilities.

EBITDA and Adjusted EBITDA

EBITDA represents operating profit (loss) before depreciation, amortization, impairment losses and income from the reversal of impairments. Adjusted EBITDA represents as EBITDA as adjusted for non-recurring items, corporate center charges related to Evonik's head office services, incremental stand-alone costs, hedging losses from our discontinued commodity hedging strategy, EBITDA from Evonik's non-consolidated worldwide sales offices to the extent related to the sale and distribution of carbon black, and savings related to the closed Botlek (the Netherlands) plant. Different companies and analysts may calculate EBITDA-based measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of our operations in accordance with IFRS. See *"Presentation of Financial and Other Information"*.

Raw Material Margin

Raw material margin represents sales less cost of raw materials, supplies and purchased commodities (excluding discontinued hedging strategy losses). Raw material margin per ton represents raw material margin divided by sales volume in tons. Different companies and analysts may calculate raw material margin differently, so making comparisons among companies on this basis should be done very carefully. Raw material margin is not a measure of performance under IFRS and should not be considered in isolation or construed as a substitute for operating profit or net profit as an indicator of our operations in accordance with IFRS. See *"Presentation of Financial and Other Information"*.

Results of Operations

The following sections provide a period-by-period comparison of our historical income statement data. The financial data have been prepared in accordance with IFRS, and have been derived from our audited combined financial statements for each of Fiscal Year 2008, 2009 and 2010, and our unaudited condensed interim combined financial statements for each of First Quarter 2010 and 2011, and should be read in conjunction with and is qualified in its entirety by reference to our combined financial statements, including the notes thereto, and the information under *"Presentation of Financial and Other Information"* and *"Business"*, each of which is included elsewhere in this offering memorandum.

Results of Operations: First Quarter 2011 Compared to First Quarter 2010

The following table sets forth our historical income statement data derived from our unaudited condensed interim combined financial statements for each of First Quarter 2010 and 2011, as well as other financial data.

Income Statement Data	Three Months Ended March 31,	
(Euro in millions, except as otherwise indicated)	2010	2011
	(unaudited)	(unaudited)
Sales	280.2	338.9
Cost of sales	(226.3)	(270.8)
Gross profit on sales	**53.9**	**68.1**
Selling expenses	(25.1)	(27.2)
Research and development expenses	(2.8)	(2.6)
General administrative expenses	(10.6)	(12.0)
Other operating income	3.0	7.3
Other operating expenses	(5.0)	(9.0)
Operating profit (loss)	**13.4**	**24.6**
Interest income	0.0	0.3
Interest expense	(3.0)	(5.2)
Result from investments recognized at equity	0.1	0.1
Profit (loss) before taxes	**10.5**	**19.8**
Income taxes	(3.0)	(6.6)
Profit (loss) after taxes	**7.5**	**13.2**
Thereof attributable to:		
Non-controlling interests	0.2	0.2
Equity holders	7.3	13.0
Other Data		
Volume (in kmt)	279.0	297.9
Raw material margin	106.6	123.5
Raw material margin per ton (in €/ton)	382.1	414.6
EBITDA	24.9	36.4
Adjusted EBITDA	31.0	43.2

Sales

Sales increased by €58.7 million, or 20.9%, from €280.2 million in First Quarter 2010 to €338.9 million in First Quarter 2011, primarily due to an increase in sales volume and sales prices in First Quarter 2011. Sales volume increased by 18.9 kmt, or 6.8%, from 279.0 kmt in First Quarter 2010 to 297.9 kmt in First Quarter 2011, as a result of a continued increase in demand, in particular in the United States and Europe. Sales prices increased as a result of increases in carbon black oil prices combined with increases in our base sales prices in First Quarter 2011. Our sales prices are generally linked to carbon black oil prices as we aim to pass through increases in the cost of raw materials. Base sales price refers to the part of our sales price that is not impacted by feedstock price adjustments. Due to a strong demand for higher value pigment black, in particular in Europe, and rubber black in Europe and the United States, we were also able to implement additional base sales price increases in the second half of Fiscal Year 2010 and in First Quarter 2011, which allowed us to improve our margins. In addition, a continued shift towards higher margin products, in particular in the United States, further increased our margins. As a result, our raw material margin per ton increased by €32.5, or 8.5%, from €382.1 in First Quarter 2010 to €414.6 in First Quarter 2011.

Sales of the pigment black product line increased by €18.1 million, or 22.1%, from €81.8 million in First Quarter 2010 to €99.9 million in First Quarter 2011, primarily due to an increase in sales volume and sales prices in First Quarter 2011. Sales volume of the pigment black product line increased by 4.3 kmt, or 9.2%, from 46.7 kmt in First Quarter 2010 to 51.0 kmt in First Quarter 2011, as a result of a continued increase in demand, in particular in Europe. Sales prices increased as a result of increases in carbon black oil prices combined with base price increases in First Quarter 2011 as a result of improved industry conditions. Sales prices further improved as a result of a more favorable product mix with increased sales of higher margin products, in particular in the United States.

Sales of the rubber black product line increased by €40.6 million, or 20.5%, from €198.4 million in First Quarter 2010 to €239.0 million in First Quarter 2011, primarily due to an increase in sales volume and sales prices in First Quarter 2011. Sales volume of the rubber black product line increased by 14.6 kmt, or 6.3%, from 232.3 kmt in First Quarter 2010 to 246.9 kmt in First Quarter 2011, primarily as a result of a continued increase in demand in most regions. Sales prices increased as a result of increases in carbon black oil prices combined with base price increases throughout First Quarter 2011.

Cost of Sales

Cost of sales increased by €44.5 million, or 19.7%, from €226.3 million in First Quarter 2010 to €270.8 million in First Quarter 2011, primarily due to an increase in sales volume and carbon black oil prices in First Quarter 2011, partially offset by cost savings mainly from the closure of the Botlek (the Netherlands) plant. Despite the increase in carbon black oil prices, we were able to increase our raw material margin per ton, primarily due to our ability to pass through raw material cost increases, implement base price increases and shift sales to higher margin products.

Cost of sales of the pigment black product line increased by €7.9 million, or 14.7%, from €53.6 million in First Quarter 2010 to €61.5 million in First Quarter 2011. Cost of sales of the rubber black product line increased by €36.9 million, or 21.7%, from €170.2 million in First Quarter 2010 to €207.1 million in First Quarter 2011. For both product lines, the increase in cost of sales was primarily related to an increase in sales volume and carbon black oil prices in First Quarter 2011.

Selling Expenses

Selling expenses increased by €2.1 million, or 8.4%, from €25.1 million in First Quarter 2010 to €27.2 million in First Quarter 2011, primarily due to an increase in distribution expenses as a result of higher sales volumes in First Quarter 2011.

Research and Development Expenses

Research and development expenses decreased by €0.2 million, or 7.1%, from €2.8 million in First Quarter 2010 to €2.6 million in First Quarter 2011, primarily due to slightly lower research and development headcount in First Quarter 2011.

General Administrative Expenses

General administrative expenses increased by €1.4 million, or 13.2%, from €10.6 million in First Quarter 2010 to €12.0 million in First Quarter 2011, primarily due to an increase in cost related to services provided by Evonik in First Quarter 2011.

Other Operating Income and Expense

Other operating income increased by €4.3 million, or 143.3%, from €3.0 million in First Quarter 2010 to €7.3 million in First Quarter 2011, primarily due to a €2.5 million increase in gains on the measurement of derivatives and a €1.2 million increase in other income. Other operating expenses increased by €4.0 million, or 80.0%, from €5.0 million in First Quarter 2010 to €9.0 million in First Quarter 2011, primarily due to a € 1.4 million increase in losses on currency translation of monetary assets and liabilities, a €1.0 million increase in losses on the measurement of derivatives and a €1.1 million charge for project costs related to the Separation.

Interest Income and Expense

Interest income increased by €0.3 million, from €0.0 million in First Quarter 2010 to €0.3 million in First Quarter 2011, primarily due to an increase in interest income as a result of an increase in cash-pooling assets mainly in the Netherlands. Interest expense increased by €2.2 million, or 73.3%, from €3.0 million in First Quarter 2010 to €5.2 million in First Quarter 2011, primarily due to an increase in interest-bearing liabilities, including bank debt, loans from Evonik and cash-pooling liabilities. The increase in financial liabilities and resulting higher interest expense are primarily due to the carve-out of Evonik's carbon black business into separate legal entities in Germany, Brazil and Italy in the middle of 2010. As a result, inter-company loans and cash-pooling liabilities were brought into the new legal entities. Prior to the carve-out, financial liabilities could not be clearly assigned to Evonik's carbon black business.

EBITDA

EBITDA increased by €11.5 million, or 46.2%, from €24.9 million in First Quarter 2010 to €36.4 million in First Quarter 2011, primarily due to an increase in sales volume and sales prices and a shift towards higher margin products in First Quarter 2011. Sales volume increased as a result of a continued increase in demand. We were able to implement multiple base price increases in First Quarter 2011, which increased our raw material margins, especially for the pigment black product line. Our raw material margin per ton increased by €32.5, or 8.5%, from €382.1 in First Quarter 2010 to €414.6 in First Quarter 2011, primarily due to our ability to pass through raw material cost increases, implement base price increases and shift sales to higher margin products. EBITDA further improved as a result of cost savings mainly from the closure of the Botlek (the Netherlands) plant.

EBITDA (before unallocated expenses, net) of the pigment black product line increased by €6.3 million, or 29.4%, from €21.4 million in First Quarter 2010 to €27.7 million in First Quarter 2011, primarily due to an increase in sales volume, an improved product mix towards higher margin products and base price increases. As a result, EBITDA margin (before unallocated expenses, net) of the pigment black product line increased from 26.2% in First Quarter 2010 to 27.7% in First Quarter 2011. EBITDA (before unallocated expenses, net) of the rubber black product line increased by €6.1 million, or 80.3%, from €7.6 million in First Quarter 2010 to €13.7 million in Fiscal Year 2010, primarily due to an increase in sales volume combined with base price increases.

Adjusted EBITDA increased by €12.2 million, or 39.4%, from €31.0 million in First Quarter 2010 to €43.2 million in First Quarter 2011. EBITDA adjustments consisted of non-recurring items, corporate center charges, incremental stand-alone costs, non-consolidated sales offices EBITDA and closed Botlek plant savings. For more information on these adjustments, see *"Summary—Summary Historical Financial Information and Other Data"*.

Results of Operations: Fiscal Year 2010 Compared to Fiscal Year 2009

The following table sets forth our historical income statement data derived from our audited combined financial statements for each of Fiscal Year 2009 and 2010, as well as other financial data.

Income Statement Data	**Year Ended December 31,**	
(Euro in millions, except as otherwise indicated)	**2009**	**2010**
	(audited)	**(audited)**
Sales	**839.5**	**1,186.2**
Cost of sales	(714.7)	(942.2)
Gross profit on sales	**124.8**	**244.0**
Selling expenses	(90.7)	(103.5)
Research and development expenses	(11.5)	(10.4)
General administrative expenses	(42.3)	(48.4)
Other operating income	17.9	18.3
Other operating expenses	(46.5)	(24.6)
Impairment loss on non-current assets	(108.9)	(6.0)
Income from reversal of impairments on non-current assets	—	19.0
Operating profit (loss)	**(157.2)**	**88.4**
Interest income	0.5	0.8
Interest expense	(12.0)	(17.2)
Result from investments recognized at equity	0.4	0.4
Profit (loss) before taxes	**(168.3)**	**72.4**
Income taxes	4.6	(29.1)
Profit (loss) after taxes	**(163.7)**	**43.3**
Thereof attributable to:		
Non-controlling interests	0.1	1.8
Equity holders	(163.8)	41.5
Other Data	**(unaudited)**	**(unaudited)**
Volume (in kmt)	964.4	1,107.2
Raw material margin	355.9	497.3
Raw material margin per ton (in €/ton)	369.0	449.2
EBITDA	(1.2)	122.8
Adjusted EBITDA	65.3	152.3

Sales

Sales increased by €346.7 million, or 41.3%, from €839.5 million in Fiscal Year 2009 to €1,186.2 million in Fiscal Year 2010, primarily due to an increase in sales volume and sales prices in Fiscal Year 2010. Sales volume increased by 142.8 kmt, or 14.8%, from 964.4 kmt in Fiscal Year 2009 to 1,107.2 kmt in Fiscal Year 2010, as a result of a recovery in demand following the global economic crisis which had a negative impact on our sales volume in Fiscal Year 2009. Supply-demand dynamics changed due to permanent production capacity reductions in the carbon black industry during the economic downturn. Sales prices increased as a result of increases in carbon black oil prices combined with increases in our base sales prices in Fiscal Year 2010. As we aim to pass through increases in the cost of raw materials, our sales prices are generally linked to carbon black oil prices. Due to a strong recovery in demand for pigment black, in particular in Europe, we were also able to implement additional base sales price increases in Fiscal Year 2010, which allowed us to improve our margins. In addition, a shift towards higher margin products further improved our margins. As a result, our raw material margin per ton increased by €80.2, or 21.7%, from €369.0 in Fiscal Year 2009 to €449.2 in Fiscal Year 2010.

Sales of the pigment black product line increased by €106.8 million, or 44.3%, from €240.9 million in Fiscal Year 2009 to €347.7 million in Fiscal Year 2010, primarily due to an increase in sales volume and sales prices in Fiscal Year 2010. Sales volume of the pigment black product line increased by 39.2 kmt, or 26.2%, from 149.8 kmt in Fiscal Year 2009 to 189.0 kmt in Fiscal Year 2010, as a result of an early recovery of Asian demand after the global economic crisis, followed by growth in Europe and the rest of the world. The United States was also a key driver for rebound in volume due to economic recovery. Selected strategic contracts with existing global key accounts in printing inks and plastics were entered into to secure and increase sales volume. Sales of the pigment black product line further improved as a result of our increased industry share in Fiscal Year 2010, following the introduction of new pigment black products. Sales prices increased as a result of increases in carbon black oil prices, successful price management with multiple price increases throughout Fiscal Year 2010 and a more favorable product mix with increased sales of higher margin products.

Sales of the rubber black product line increased by €239.9 million, or 40.1%, from €598.6 million in Fiscal Year 2009 to €838.5 million in Fiscal Year 2010, primarily due to an increase in sales volume and sales prices in Fiscal Year 2010. Sales volume of the rubber black product line increased by 103.7 kmt, or 12.7%, from 814.5 kmt in Fiscal Year 2009 to 918.2 kmt in Fiscal Year 2010, primarily as a result of the overall recovery of the automotive sector. In particular, Europe experienced an early recovery. Sales prices increased as a result of increases in carbon black oil prices and successful price management in Fiscal Year 2010. A tightening of the industry, enabled us to implement additional base sales price increases.

Cost of Sales

Cost of sales increased by €227.5 million, or 31.8%, from €714.7 million in Fiscal Year 2009 to €942.2 million in Fiscal Year 2010, primarily due to an increase in sales volume and carbon black oil prices in Fiscal Year 2010, partially offset by cost savings mainly from a reduction in overhead, plant optimization, including the closure of the Botlek (the Netherlands) plant, and improved sourcing. Despite the increase in carbon black oil prices, we were able to increase our raw material margin per ton, primarily due to our ability to pass through raw material cost increases, implement base price increases and shift sales to higher margin products.

Cost of sales of the pigment black product line increased by €46.5 million, or 27.6%, from €168.4 million in Fiscal Year 2009 to €214.9 million in Fiscal Year 2010. Cost of sales of the rubber black product line increased by €181.3 million, or 33.8%, from €536.4 million in Fiscal Year 2009 to €717.7 million in Fiscal Year 2010. For both product lines, the increase in cost of sales was primarily related to an increase in sales volume and carbon black oil prices in Fiscal Year 2010, as a result of a recovery in demand following the global economic crisis.

Selling Expenses

Selling expenses increased by €12.8 million, or 14.1%, from €90.7 million in Fiscal Year 2009 to €103.5 million in Fiscal Year 2010, primarily due to an increase in distribution expenses as a result of higher sales volumes and an increase in personnel cost as a result of higher bonus payments in Fiscal Year 2010.

Research and Development Expenses

Research and development expenses decreased by €1.1 million, or 9.6%, from €11.5 million in Fiscal Year 2009 to €10.4 million in Fiscal Year 2010, primarily due to a reduction in research and development headcount, partially offset by higher bonus payments in Fiscal Year 2010.

General Administrative Expenses

General administrative expenses increased by €6.1 million, or 14.4%, from €42.3 million in Fiscal Year 2009 to €48.4 million in Fiscal Year 2010, primarily due to an increase in personnel cost as a result of higher bonus payments in Fiscal Year 2010.

Other Operating Income and Expense

Other operating income increased by €0.4 million, or 2.2%, from €17.9 million in Fiscal Year 2009 to €18.3 million in Fiscal Year 2010. Other operating expenses decreased by €21.9 million, or 47.1%, from €46.5 million in Fiscal Year 2009 to €24.6 million in Fiscal Year 2010, primarily due to an €18.7 million provision taken in Fiscal Year 2009 for restructurings in the Netherlands.

Impairments on Non-current Assets, Net

Impairment loss on non-current assets decreased by €102.9 million, or 94.5%, from €108.9 million in Fiscal Year 2009 to €6.0 million in Fiscal Year 2010, primarily due to a €107.0 million goodwill impairment in Fiscal Year 2009, attributable to the economic crisis, which resulted in far weaker business expectations. We also recognized €19.0 million in income from the reversal of impairments on non-current assets in Poland, China and South Africa in Fiscal Year 2010, primarily due to the improved long-term market outlook for carbon black following the economic recovery, particularly in the automotive industry in Fiscal Year 2010.

Interest Income and Expense

Interest income increased by €0.3 million, or 60%, from €0.5 million in Fiscal Year 2009 to €0.8 million in Fiscal Year 2010, primarily due to an increase in interest income as a result of an increase in cash-pooling assets mainly in the Netherlands. Interest expense increased by €5.2 million, or 43.3%, from €12.0 million in Fiscal Year 2009 to €17.2 million in Fiscal Year 2010, primarily due to an increase in interest-bearing liabilities, including bank debt, loans from Evonik and cash-pooling liabilities. The increase in financial liabilities and resulting higher interest expense are primarily due to the carve-out of Evonik's carbon black business into separate legal entities in Germany, Brazil and Italy in Fiscal Year 2010. As a result, inter-company loans and cash-pooling liabilities were brought into the new legal entities. Prior to the carve-out, financial liabilities could not be clearly assigned to Evonik's carbon black business.

EBITDA

EBITDA increased by €124.0 million, from a negative EBITDA of €1.2 million in Fiscal Year 2009 to a positive EBITDA of €122.8 million in Fiscal Year 2010, primarily due to an increase in sales volume and sales prices and a shift towards higher margin products in Fiscal Year 2010. Our pigment black sales as a percentage of total sales increased from 28.7% in Fiscal Year 2009 to 29.3% in Fiscal Year 2010. We also shifted sales from rubber black for tires to higher margin rubber black for mechanical rubber goods. Sales volume increased as a result of a recovery in demand following the global economic crisis which had a negative impact on our sales volume and EBITDA in Fiscal Year 2009. Due to the economic recovery, we were able to implement multiple base price increases in Fiscal Year 2010, which increased our raw material margins, especially for the pigment black product line. Our raw material margin per ton increased by €80.2, or 21.7%, from €369.0 in Fiscal Year 2009 to €449.2 in Fiscal Year 2010. EBITDA further improved as a result of the cost savings initiatives implemented in 2009, including a tightening of overall cost management, overhead headcount reductions and plant network optimization with the closure of certain production plants.

EBITDA (before unallocated expenses, net) of the pigment black product line increased by €54.0 million, or 129.8%, from €41.6 million in Fiscal Year 2009 to €95.6 million in Fiscal Year 2010, primarily due to an increase in sales volume, an improved product mix towards higher margin products and successful price management with multiple base price increases. As a result, EBITDA margin (before unallocated expenses, net) of the pigment black product line increased from 17.3% in Fiscal Year 2009 to 27.5% in Fiscal Year 2010. EBITDA (before unallocated expenses, net) of the rubber black product line increased by €48.4 million, from a negative EBITDA of €0.2 million in Fiscal Year 2009 to a positive EBITDA of €48.2 million in Fiscal Year 2010, primarily due to an increase in sales volume driven by a recovery in demand.

Adjusted EBITDA increased by €87.0 million, or 133.2%, from €65.3 million in Fiscal Year 2009 to €152.3 million in Fiscal Year 2010. EBITDA adjustments consisted of non-recurring items, corporate center charges, incremental stand-alone costs, discontinued hedging strategy losses, non-consolidated sales offices EBITDA and closed Botlek plant savings. For more information on these adjustments, see *“Summary—Summary Historical Financial Information and Other Data”*.

Results of Operations: Fiscal Year 2009 Compared to Fiscal Year 2008

The following table sets forth our historical income statement data derived from our audited combined financial statements for each of Fiscal Year 2008 and 2009, as well as certain other financial data.

Income Statement Data	Year Ended December 31,	
(Euro in millions, except as otherwise indicated)	2008	2009
	(audited)	(audited)
Sales	**1,186.0**	**839.5**
Cost of sales	(1,003.7)	(714.7)
Gross profit on sales	**182.3**	**124.8**
Selling expenses	(117.4)	(90.7)
Research and development expenses	(12.3)	(11.5)
General administrative expenses	(54.2)	(42.3)
Other operating income	36.4	17.9
Other operating expenses	(42.3)	(46.5)
Impairment loss on non-current assets	(90.9)	(108.9)
Operating profit (loss)	**(98.4)**	**(157.2)**
Interest income	1.0	0.5
Interest expense	(15.1)	(12.0)
Result from investments recognized at equity	0.4	0.4
Profit (loss) before taxes	**(112.1)**	**(168.3)**
Income taxes	8.7	4.6
Profit (loss) after taxes	**(103.4)**	**(163.7)**
Thereof attributable to:		
Non-controlling interests	(8.1)	0.1
Equity holders	(95.3)	(163.8)
Other Data	**(unaudited)**	**(unaudited)**
Volume (in kmt)	1,128.6	964.4
Raw material margin	413.2	355.9
Raw material margin per ton (in €/ton)	366.1	369.0
EBITDA	55.4	(1.2)
Adjusted EBITDA	97.0	65.3

Sales

Sales decreased by €346.5 million, or 29.2%, from €1,186 million in Fiscal Year 2008 to €839.5 million in Fiscal Year 2009, primarily due to a decrease in sales volume and sales prices in Fiscal Year 2010. Sales volume decreased by 164.2 kmt, or 14.5%, from 1,128.6 kmt in Fiscal Year 2008 to 964.4 kmt in Fiscal Year 2009, as a result of the global economic crisis which started to impact sales volume in the second half of Fiscal Year 2008 and lasted until the end of Fiscal Year 2009. Sales prices decreased as a result of decreases in carbon black oil prices in Fiscal Year 2009. Because our selling prices are generally linked to carbon black oil prices, there is a high correlation between carbon black oil price fluctuations and our sales. A difference between volume and sales fluctuations can generally largely be explained by changes in sales prices linked to changes in carbon black oil prices, which in turn are linked to crude oil prices. Notwithstanding the challenging economic conditions, we were largely able to preserve our base sales prices in Fiscal Year 2009 as reflected by our raw material margin per ton in Fiscal Year 2009, which remained stable at €369.0, compared to €366.1 in Fiscal Year 2008.

Sales of the pigment black product line decreased by €64.8 million, or 21.2%, from €305.7 million in Fiscal Year 2008 to €240.9 million in Fiscal Year 2009, primarily due to a decrease in sales volume and sales prices in Fiscal Year 2009. Sales volume of the pigment black product line decreased by 27.4 kmt, or 15.5%, from 177.2 kmt in Fiscal Year 2008 to 149.8 kmt in Fiscal Year 2009, as a result of a significant decline of U.S. automotive and construction demand, especially for less specialized grades, during the global economic crisis, as well as a decline in demand in Europe. Sales prices decreased as a result of decreases in carbon black oil prices in Fiscal Year 2009, but we were largely able to preserve our base sales prices.

Sales of the rubber black product line decreased by €281.7 million, or 32.0%, from €880.3 million in Fiscal Year 2008 to €598.6 million in Fiscal Year 2009, primarily due to a decrease in sales volume and sales prices in Fiscal Year 2010. Sales volume of the rubber black product line decreased by 136.9 kmt, or 14.4%, from 951.4 kmt in Fiscal Year 2008 to 814.5 kmt in Fiscal Year 2009, as a result of the global economic crisis which started to impact sales volume in the second half of Fiscal Year 2008 and lasted until the end of Fiscal Year 2009. Sales volume decreased in line with a decrease of the automotive original equipment manufacturing and a reduction in the replacement tire industry, mainly as a result of a decrease in mileage driven by vehicle owners and a delay in the replacement of worn tires. Sales volume decreased mainly in Europe and the United States, partially offset by an increase in China driven by a resilient and growing auto industry and migration of tire production to Asia. Our rubber black industry share declined in Fiscal Year 2009. Sales prices decreased as a result of decreases in carbon black oil prices in Fiscal Year 2009, but we were largely able to preserve our base sales prices.

Cost of Sales

Cost of sales decreased by €289.0 million, or 28.8%, from €1,003.7 million in Fiscal Year 2008 to €714.7 million in Fiscal Year 2009, primarily due to a decrease in sales volume and carbon black oil prices in Fiscal Year 2010 and various other cost savings. Our variable cost of sales is largely driven by the development of carbon black oil prices, which in turn are linked to crude oil prices. Our fixed cost of sales decreased as a result of the implementation of a restructuring program in 2008, including plant closures and improved sourcing, and various other cost-saving initiatives. In Fiscal Year 2008, a €24.9 million impairment loss on raw materials, supplies and goods was recognized in cost of sales as a result of reduced raw material prices.

Cost of sales of the pigment black product line decreased by €40.8 million, or 19.5%, from €209.2 million in Fiscal Year 2008 to €168.4 million in Fiscal Year 2009. Cost of sales of the rubber black product line decreased by €220.6 million, or 29.1%, from €757.0 million in Fiscal Year 2008 to €536.4 million in Fiscal Year 2009. For both product lines, the decrease in cost of sales was primarily related to a decrease in sales volume and carbon black oil prices in Fiscal Year 2009, as a result of the global economic crisis. Volumes of the rubber black product line were particularly impacted by a decrease in demand from the automotive industry.

Selling Expenses

Selling expenses decreased by €26.7 million, or 22.7%, from €117.4 million in Fiscal Year 2008 to €90.7 million in Fiscal Year 2009, primarily due to significant cost savings realized in 2009. Cost savings resulted mainly from a tightening of overall cost management, an overhead headcount reduction mainly at our German sites and a reduction in variable-based bonus payments of 25%.

Research and Development Expenses

Research and development expenses decreased by €0.8 million, or 6.5%, from €12.3 million in Fiscal Year 2008 to €11.5 million in Fiscal Year 2009, primarily as a result of a reduction in research and development expenditures in line with a reduction in sales in Fiscal Year 2009. Expenses for research and development primarily include expenses for fundamental research, process development and product engineering. Historically, annual research and development expenses have amounted to approximately 1% of our sales.

General Administrative Expenses

General administrative expenses decreased by €11.9 million, or 22.0%, from €54.2 million in Fiscal Year 2008 to €42.3 million in Fiscal Year 2009, primarily due to savings from cost-controlling projects realized in Fiscal Year 2009.

Other Operating Income and Expense

Other operating income decreased by €18.5 million, or 50.8%, from €36.4 million in Fiscal Year 2008 to €17.9 million in Fiscal Year 2009, primarily due to a decrease in gains on foreign currency transactions mainly at ECB Korea as a result of the depreciation of the South Korean won against the U.S. Dollar in Fiscal Year 2008. Other operating expenses increased by €4.2 million, or 9.9%, from €42.3 million in Fiscal Year 2008 to €46.5 million in Fiscal Year 2009, primarily due to a €18.7 million provision taken in Fiscal Year 2009 for restructurings in the Netherlands, a €4.2 million increase in losses on the measurement of derivatives and a €4.3 million increase in other expenses, partially offset by a €20.7 million decrease in losses on foreign currency transactions mainly at ECB Korea as a result of the depreciation of the South Korean won against the U.S. Dollar in Fiscal Year 2008.

Impairments on Non-current Assets

Impairment loss on non-current assets increased by €18.0 million, or 19.8%, from €90.9 million in Fiscal Year 2008 to €108.9 million in Fiscal Year 2009, primarily due to a €107.0 million goodwill impairment in Fiscal Year 2009, attributable to the economic crisis, which resulted in far weaker business expectations. In Fiscal Year 2008, we recorded impairment losses of €90.9 million on our production facilities in Poland, the Netherlands, China, South Africa and the United States, resulting from the economic crisis, which started to negatively impact our business in these countries from November 2008. The impairments in Fiscal Year 2008 relate principally to plant and machinery used to manufacture carbon black.

Interest Income and Expense

Interest income decreased by €0.5 million, or 50.0%, from €1.0 million in Fiscal Year 2008 to €0.5 million in Fiscal Year 2009, primarily due to a decrease in interest income from cash-pooling assets as a result of a decrease in interest rates in Fiscal Year 2009. Interest expense decreased by €3.1 million, or 20.5%, from €15.1 million in Fiscal Year 2008 to €12.0 million in Fiscal Year 2009, primarily due to a decrease in interest-bearing liabilities, including bank debt and loans from Evonik.

EBITDA

EBITDA decreased by €56.6 million, from a positive EBITDA of €55.4 million in Fiscal Year 2008 to a negative EBITDA of €1.2 million in Fiscal Year 2009, primarily due to a decline in sales volume as a result of the global financial and economic crisis. The decrease in EBITDA was partially offset by a shift towards higher margin products and cost savings initiatives implemented in 2008 and 2009, including a tightening of overall cost management, overhead headcount reductions and plant network optimization with the closure of certain production plants. Our pigment black sales as a percentage of total sales increased from 25.8% in Fiscal Year 2008 to 28.7% in Fiscal Year 2009. Notwithstanding the challenging economic conditions, we were largely able to preserve our base sales prices in Fiscal Year 2009 as reflected by our raw material margin per ton in Fiscal Year 2009, which remained stable at €369.0, compared to €366.1 in Fiscal Year 2008.

EBITDA (before unallocated expenses, net) of the pigment black product line decreased by €14.9 million, or 26.4%, from €56.5 million in Fiscal Year 2008 to €41.6 million in Fiscal Year 2009. Despite the significant drop in volume, EBITDA margin (before unallocated expenses, net) of the pigment black product line decreased only from 18.5% in Fiscal Year 2008 to 17.3% in Fiscal Year 2009, primarily because we were able to preserve our base sales prices and realize cost savings. EBITDA (before unallocated expenses, net) of the rubber black product line decreased by €48.6 million, from a positive EBITDA of €48.4 million in Fiscal Year 2008 to a negative EBITDA of €0.2 million in Fiscal Year 2009. Although both product lines showed a decline in sales volume as a result of the global financial and economic crisis, the rubber black product line was affected to a larger extent as a result of a difference in industry structure. Customers in the rubber black product line mainly consist of large global manufacturers and suppliers of tires, which were severely affected by the economic downturn. Customers in the pigment black product line mainly operate in the more fragmented plastics, printing inks and coating industries, which were less affected by the economic downturn.

Adjusted EBITDA decreased by €31.7 million, or 32.7%, from €97.0 million in Fiscal Year 2008 to €65.3 million in Fiscal Year 2009. EBITDA adjustments consisted of non-recurring items, corporate center charges, incremental stand-alone costs, discontinued hedging strategy losses, non-consolidated sales offices EBITDA and closed Botlek plant savings. For more information on these adjustments, see *"Summary—Summary Historical Financial Information and Other Data"*.

Liquidity and Capital Resources

Historical Cash Flows

The following table sets forth our historical cash flow statement data for the periods indicated.

Cash Flow Statement Data	Year Ended December 31,			Three Months Ended March 31,	
(Euro in millions)	2008	2009	2010	2010	2011
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Cash flow from (used in) operating activities	(40.9)	81.6	47.5	(24.5)	(22.0)
Change in net working capital (unaudited)	*(39.0)*	*80.7*	*(49.1)*	*(47.2)*	*(46.2)*
Cash flow from (used in) investing activities	(38.6)	(19.7)	(28.6)	(1.6)	(6.2)
Cash flow from (used in) financing activities	87.8	(63.5)	(2.7)	18.5	17.8
Change in cash and cash equivalents	**8.3**	**(1.6)**	**16.2**	**(7.6)**	**(10.4)**
Changes in exchange rates and other changes in cash and cash equivalents	(1.3)	0.5	1.7	0.4	(0.9)
Cash and cash equivalents at the beginning of the period	4.3	11.3	10.2	10.2	28.1
Cash and cash equivalents at the end of the period	**11.3**	**10.2**	**28.1**	**3.0**	**16.8**

Net Cash Flow from Operating Activities

The following table sets forth the principal components of our net cash flow from operating activities for the periods indicated.

Cash Flow from Operating Activities	Year Ended December 31,			Three Months Ended March 31,	
(Euro in millions)	2008	2009	2010	2010	2011
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Income (loss) before financial result and income taxes	(98.4)	(157.2)	88.4	13.4	24.6
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	153.6	156.0	34.5	11.5	11.8
Gains/losses on disposal of non-current assets	2.9	1.2	0.4	0.1	0.1
Change in inventories	(14.6)	27.4	(22.5)	(9.3)	(10.2)
Change in trade accounts receivable	21.0	21.0	(64.1)	(43.2)	(10.0)
Change in trade accounts payable and current advance payments received from customers	(45.4)	32.3	37.5	5.3	(26.0)
Change in provisions for pensions and other post-employment benefits	(1.5)	0.6	(2.5)	(0.1)	(0.2)
Change in other provisions	(6.3)	19.8	(4.2)	0.6	1.3
Change in miscellaneous assets/liabilities	(34.4)	(4.9)	(3.9)	(0.2)	(8.1)
Cash outflows for interest	(14.7)	(10.3)	(13.4)	(1.3)	(3.0)
Cash inflows from interest	1.5	0.4	0.6	0.0	0.2
Cash outflows for income taxes	(4.6)	(4.7)	(3.3)	(1.3)	(2.5)
Cash flow from operating activities	**(40.9)**	**81.6**	**47.5**	**(24.5)**	**(22.0)**

First Quarter 2011 Compared to First Quarter 2010

Cash used in operating activities decreased by €2.5 million, or 10.2%, from a €24.5 million cash outflow in First Quarter 2010 to a €22.0 million cash outflow in First Quarter 2011, primarily due to an increase in income, partially offset by changes in net working capital. Changes in net working capital resulted in a €46.2 million cash outflow in First Quarter 2011, primarily due to an increase in our inventories and trade accounts receivable and a decrease in our trade accounts payable. Inventories and trade accounts receivable increased as a result of increasing oil prices and improved sales in First Quarter 2011. Trade accounts payable decreased as a result of timing differences in the delivery of feedstock, due to lumpy receipts of carbon black oil shipments. See *"—Net Working Capital Requirements"*.

Fiscal Year 2010 Compared to Fiscal Year 2009

Cash from operating activities decreased by €34.1 million, or 41.8%, from an €81.6 million cash inflow in Fiscal Year 2009 to a €47.5 million cash inflow in Fiscal Year 2010, primarily due to changes in net working capital and other provisions, partially offset by increased income. Changes in net working capital resulted in a €49.1 million cash outflow in Fiscal Year 2010, primarily due to an increase in our inventories and trade accounts receivable as a result of increasing oil prices and improved sales in Fiscal Year 2010. See *"—Net Working Capital Requirements"*. Changes in other provisions amounted to €19.8 million in Fiscal Year 2009, primarily due to charges recorded in 2009 in connection with the restructuring of the Botlek facility in the Netherlands.

Fiscal Year 2009 Compared to Fiscal Year 2008

Cash from operating activities increased by €122.5 million, from a €40.9 million cash outflow in Fiscal Year 2008 to a €81.6 million cash inflow in Fiscal Year 2009, primarily due to changes in net working capital, other provisions and miscellaneous assets/liabilities, partially offset by decreased income. Changes in net working capital resulted in a €80.7 million cash inflow in Fiscal Year 2009, primarily due to a decrease in inventory and trade accounts receivable as a result of a decrease in sales volume and carbon black oil prices in Fiscal Year 2009. See *"—Net Working Capital Requirements"*. At the end of Fiscal Year 2008, inventories peaked, reflecting a high volume of inventory build-up during the economic downturn in the second half of 2008 when the oil price sharply declined from previous all-time highs. Changes in other provisions amounted to €19.8 million in Fiscal Year 2009, primarily due to charges recorded in 2009 in connection with the restructuring of the Botlek facility in the Netherlands.

Net Cash Flow from Investing Activities

The following table sets forth the principal components of our net cash flow from investing activities for the periods indicated.

Cash Flow from Investing Activities	**Year Ended December 31,**			**Three Months Ended March 31,**	
(Euro in millions)	**2008**	**2009**	**2010**	**2010**	**2011**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**
Cash outflows for investments in intangible assets, property, plant and equipment	(38.6)	(20.5)	(29.3)	(1.7)	(6.3)
Cash inflows from disinvestments of intangible assets, property, plant and equipment	0.0	0.8	0.7	0.1	0.1
Cash flow from investing activities	**(38.6)**	**(19.7)**	**(28.6)**	**(1.6)**	**(6.2)**

First Quarter 2011 Compared to First Quarter 2010

Cash used in investing activities increased by €4.6 million, or 287.5%, from a €1.6 million cash outflow in First Quarter 2010 to a €6.2 million cash outflow in First Quarter 2011, primarily due to an increase in asset preservation and compliance capital expenditures. See *"—Capital Expenditure"*.

Fiscal Year 2010 Compared to Fiscal Year 2009

Cash used in investing activities increased by €8.9 million, or 45.2%, from a €19.7 million cash outflow in Fiscal Year 2009 to a €28.6 million cash outflow in Fiscal Year 2010, primarily due to an increase in asset preservation, compliance and rationalization capital expenditures as a result of the economic recovery and a rationalization project for the Ravenna facility in Italy. See *"—Capital Expenditure"*.

Fiscal Year 2009 Compared to Fiscal Year 2008

Cash used in investing activities decreased by €18.9 million, or 49.0%, from a €38.6 million cash outflow in Fiscal Year 2008 to a €19.7 million cash outflow in Fiscal Year 2009, primarily due to a decrease in asset preservation and compliance capital expenditures as a result of the global economic and financial crisis in Fiscal Year 2009. See *"—Capital Expenditure"*.

Net Cash Flow from Financing Activities

The following table sets forth the principal components of our net cash flow from financing activities for the periods indicated.

Cash Flow from Financing Activities	Year Ended December 31,			Three Months Ended March 31,	
(Euro in millions)	2008	2009	2010	2010	2011
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Cash outflows for dividends	(7.7)	(13.4)	(11.1)	0.4	0.0
Cash inflows from the addition of financial liabilities	113.6	42.7	127.4	34.2	56.0
Cash outflows for repayment of financial liabilities	(42.4)	(50.5)	(25.4)	(9.1)	(45.2)
Net financing with parent	24.3	(42.3)	(93.6)	(7.0)	7.0
Cash flow from financing activities	**87.8**	**(63.5)**	**(2.7)**	**18.5**	**17.8**

First Quarter 2011 Compared to First Quarter 2010

Cash from financing activities decreased by €0.7 million, or 3.8%, from a €18.5 million cash inflow in First Quarter 2010 to a €17.8 million cash inflow in First Quarter 2011, primarily due to an increase in cash outflows for repayment of financial liabilities, partially offset by an increase in cash inflows from the addition of financial liabilities and cash inflows from financing with our parent entity. Cash inflows from the addition of financial liabilities increased primarily due to increased net working capital financing requirements in First Quarter 2011. Cash outflows for repayment of financial liabilities increased primarily due to a €28.2 million repayment of financial liabilities in Germany financed by surplus cash balances from operating activities. Due to the carve-out methodology applied, all Carve-out Entities were reported as mainly financed with equity prior to July 1, 2010, when their businesses were transferred into separate legal entities. Therefore, cash outflows from financing with our parent entity increased in First Quarter 2010, as a result of surplus cash balances and a reduction in financing requirements in the same period. Net financing with the parent entity increased cash from financing activities in First Quarter 2011, mainly due to reimbursed costs allocated by Evonik to Evonik Carbon Black in connection with the asset push-down from the acquisition of the former Degussa group by a predecessor of Evonik.

Fiscal Year 2010 Compared to Fiscal Year 2009

Cash used in financing activities decreased by €60.8 million, or 95.7%, from a €63.5 million cash outflow in Fiscal Year 2009 to a €2.7 million cash outflow in Fiscal Year 2010, primarily due to an increase in cash inflows from the addition of financial liabilities and a decrease in cash outflows for the repayment of financial liabilities, partially offset by cash outflows from financing with our parent entity. Cash inflows from the addition of financial liabilities increased primarily due to a refinancing in connection with the separation of the carbon black businesses in Germany and Brazil into separate legal entities as of July 1, 2010. Following the carve-out, the new legal entities were financed with loans from Evonik, while prior to the carve-out these carbon black businesses were reported as mainly financed with equity pursuant to the carve-out methodology applied. As a result, cash outflows from financing with our parent entity increased in Fiscal Year 2010. Cash outflows for the repayment of financial liabilities decreased primarily due to higher net working capital financing requirements in Fiscal Year 2010 due to improved sales activity. In addition, cash outflows for the repayment of financial liabilities were higher in Fiscal Year 2009 when compared to Fiscal Year 2010 due to the repayment of bridge loan facilities in Fiscal Year 2009 in South Africa as part of a refinancing at the South African JV.

Fiscal Year 2009 Compared to Fiscal Year 2008

Cash used in financing activities increased by €151.3 million, from a €87.8 million cash inflow in Fiscal Year 2008 to a €63.5 million cash outflow in Fiscal Year 2009, primarily due to increased dividend payments, a decrease in cash inflows from the addition of financial liabilities and an increase in cash outflows from financing with our parent entity. Cash inflows from the addition of financial liabilities decreased primarily due to reduced net working capital financing requirements in Fiscal Year 2009 as a result of the global financial and economic crisis and our success in improving net working capital balances. In addition, increased net working capital financing requirements in the United States in 2008 resulted in increased cash inflows from the addition of financial liabilities in Fiscal Year 2008. Cash outflows from financing with our parent entity increased primarily due to cash distribution to the parent entity at the three Carve-out Entities in Germany, Brazil and Italy, which resulted from reductions in net working capital as well as from our general focus on cash management. Due to the carve-out methodology applied, all Carve-out Entities were mainly equity financed prior to July 1, 2010, when their businesses were transferred into separate legal entities. All surplus cash balances and reductions in operating financing requirements result in cash outflows from financing with our parent entity.

Liquidity and Capital Resources

Our business has in the past required and will continue to require liquidity to fund our capital expenditures, net working capital requirements and debt service obligations. Our principal sources of liquidity have been the net cash generated from our operating activities, intercompany funding and local bank facilities. Historically, we have mainly been financed through short-term intercompany loans and cash-pooling activities, whereby Evonik acted as lender to its affiliates. Apart from the entities in Brazil and China, Evonik Carbon Black entities have been included in Evonik's cash-pooling activities. Liquidity transfers to and from subsidiaries in countries where cash-pooling is restricted by local regulations have been managed on the basis of intercompany loans between Evonik and the subsidiary company. Entities not participating in Evonik's cash-pooling activities have also been financed through local bank loans.

Upon completion of the Acquisition, our principal sources of liquidity will continue to be the net cash generated from our operating activities, as well as available cash balances and amounts available under our Revolving Credit Facility and local bank facilities. See *"Description of Other Indebtedness"*. Our ability to generate cash from our operations depends on our future operating performance, which in turn is dependent on general economic, financial, competitive, market, regulatory and other conditions and factors, many of which are beyond our control. See *"Risk Factors"*. Based on our current operating performance and liquidity, we believe that cash provided by our operating activities and available cash balances will be sufficient for net working capital requirements, capital expenditures, interest payments and scheduled debt repayments for the foreseeable future.

Net Working Capital Requirements

Our net working capital requirements are mainly driven by the level of our inventories, trade receivables, and trade payables. The following table sets forth the principal components of our net working capital as of the end of the periods indicated.

Net Working Capital Position	**As of December 31,**			**As of March 31,**
(Euro in millions)	**2008**	**2009**	**2010**	**2011**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**
Inventories	173.3	146.0	168.4	178.7
Trade receivables	208.0	187.0	251.1	261.0
Trade payables	60.1	92.3	129.8	103.9
Total (unaudited)	**321.2**	**240.7**	**289.7**	**335.8**

Our net working capital position can vary significantly from month to month, mainly due to fluctuations in oil prices and lumpy receipts of carbon black oil shipments. In general, increases in the cost of raw materials lead to an increase in our net working capital requirements, as our inventories and trade receivables increase as a result of higher carbon black oil prices and related sales levels, partially offset by an increase in trade payables. Due to the quantity of carbon oil that we typically keep in stock, this increase occurs gradually over a period of three months. Conversely, decreases in the cost of raw materials lead to a decrease in our net working capital requirements within a three-month period following the decrease in costs. In July 2008, Brent crude oil prices peaked at $146 per barrel, which significantly increased our net working capital requirements in September 2008. Subsequently, in December 2008, Brent crude oil prices decreased to $37 per barrel and remained at low levels throughout the beginning of 2009. Our net working capital requirements decreased accordingly in the first half of 2009. Based on 2010 net working capital requirements, we estimate that a $10 per barrel movement in the Brent crude oil price correlates to a movement in our net working capital requirements of approximately €25.0 million within a three-month period. In times of relatively stable oil prices, the effects on our net working capital levels are less significant. Net working capital swings increase, however, in an environment of high price volatility. For example, the negative impact on our net working capital requirements became visible in 2008 when oil prices increased rapidly. See *"Risk Factors—Risks Related to Our Business—We are subject to volatility in the costs and availability of raw materials and energy, which could decrease our margins and adversely affect our business, financial condition, results of operations and cash flows"*.

Inventories mainly represents carbon black oil feedstock and finished carbon black products. Significant inventory levels at the end of Fiscal Year 2008 reflected a high volume of inventory build-up during the economic downturn in the second half of 2008 when customer demand dramatically dropped. At the end of Fiscal Year 2009, inventory levels significantly decreased due to a sharp decline in oil prices combined with lower purchasing volumes and improved sales and supply chain management. Inventory levels started to increase again in Fiscal Year 2010, due to an increase in oil prices and purchasing volume. Trade receivables and trade payables mainly represent sales and purchases of carbon black products. Trade receivables declined in the second half of 2008 due to lower sales activity and trade payables were significantly reduced due to lower purchasing volumes and lower oil prices. Trade receivables further declined in Fiscal Year 2009, primarily reflecting lower oil price levels, and trade payables increased due to higher purchasing volumes. The higher net working capital position at the end of Fiscal Year 2010 is primarily due to the economic recovery which resulted in higher carbon black oil price levels and increased sales volume. Inventories and trade receivables increased further in First Quarter 2011 as a result of increasing oil prices and improved sales in First Quarter 2011. Trade accounts payable decreased as a result of timing differences in the delivery of feedstock, due to lumpy receipts of carbon black oil shipments.

Our focus on net working capital management has improved our net working capital days between Fiscal Year 2008 and First Quarter 2011 through a decrease in inventory days and receivables days, which was partially offset by a decrease in payable days.

Capital Expenditure

The following table sets out our capital expenditure for the periods indicated.

Capital Expenditure	**Year Ended December 31,**			**Three Months Ended March 31,**
(Euro in millions)	**2008**	**2009**	**2010**	**2011**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Maintenance capital expenditure	31.7	16.7	21.0	4.6
Non-recurring capital expenditure	6.9	3.8	8.3	1.7
Total	**38.6**	**20.5**	**29.3**	**6.3**

Maintenance capital expenditure mainly relates to asset preservation and compliance, including expenditures to preserve and replace equipment and expenditures to meet regulatory requirements. Our maintenance capital expenditure has fluctuated as a result of the global financial and economic crisis, but is expected to remain around €25.0 million annually over the next few years. Maintenance capital expenditure has been reduced from historical levels as a result of improved maintenance procedures and plant network optimization with the closure of plants in the United States and the Netherlands.

Non-recurring capital expenditure mainly relates to expansion and rationalization projects, including expenditures to increase capacity and expenditures to increase efficiency. Non-recurring capital expenditure has fluctuated as a result of the global financial and economic crisis, but is expected to remain around €5.0 million annually over the next few years. Planned non-recurring capital expenditures relate to investments in energy recovery technology and adding rubber black capacity at our Korean and Chinese plants to benefit from the growing Asian rubber black industry.

In Fiscal Year 2008 and Fiscal Year 2009, non-recurring capital expenditures included investments undertaken in revamping the plant in Port Elizabeth (South Africa) and the installment of a new pigment black reactor at the Kalscheuren (Germany) plant. As a response to the global economic downturn and deteriorating demand in our end markets, we implemented a restructuring program including plant closures and reduced our capital expenditures in Fiscal Year 2009. In Fiscal Year 2010, non-recurring capital expenditures included a rationalization project for the Ravenna facility in Italy and various other plants. In First Quarter 2011, non-recurring capital expenditures mainly relates to capacity expansions at our Yosu (South Korea) plant.

As of March 31, 2011, we had future capital expenditure commitments of €8.0 million for the remainder of 2011, of which €6.4 million are for maintenance capital expenditures and €1.6 million for non-recurring capital expenditures for a variety of smaller projects. In addition, we expect to incur additional capital expenditures for the remainder of 2011 in line with our annual capital expenditure expectations as set forth above.

Contractual Obligations and Off-balance Sheet Arrangements

As of March 31, 2011, we did not have any significant off-balance sheet arrangements, other than oil and gas purchase commitments and operating leases for some of our plants. The following table sets forth our contractual obligations and off-balance sheet arrangements as of March 31, 2011, as adjusted to give effect to the Financing.

Contractual Obligations and Off-balance Sheet Arrangements	**Less than 1 year**	**1-5 years**	**More than 5 years**	**Total**
(Euro in millions)				
Long-term Debt Obligations(1)				
Revolving Credit Facility(2)	—	—	—	—
Notes offered hereby(3)	—	—	600.0	600.0
Purchase commitments(4)	233.5	283.8	94.6	611.9
Operating leases(5)	3.8	8.6	0.3	12.7
Management fees(6)	3.0	12.0	6.0	21.0
Total contractual obligations and off-balance sheet arrangements	**240.3**	**304.4**	**700.9**	**1,245.6**

(1) This table only sets forth the obligations to repay the principal amounts at maturity under our long-term debt obligations and does not include the interest payment obligations under each of these debt instruments.

(2) Represents the obligations to repay principal amounts under the Revolving Credit Facility that is expected to be put in place in connection with the Acquisition. Repayment obligations only arise to the extent the Revolving Credit Facility is drawn. The maximum amount available under this facility would be $250.0 million and the Revolving Credit Facility will mature in 2017.

(3) Represents the obligations to repay the €600.0 million (equivalent) aggregate principal amount of the Notes offered hereby, consisting of €355.0 million of Euro Notes and $350.0 million of Dollar Notes. The principal amount of the $350.0 million Dollar Notes issued in the Offering has been translated at an exchange rate of $1.4252 per €1.00 (as reported by Bloomberg on June 17, 2011) and has been rounded down to the nearest million for presentational purposes. This exchange rate may differ from the exchange rate in effect as of the date the Dollar Notes are issued.

(4) Represents purchase commitments under long-term supply agreements for the supply of raw materials, mainly oil and gas.

(5) Represents the obligations to pay future lease payments for assets leased under operating leases as of December 31, 2010.

(6) Represents recurring estimated annual fees of €3.0 million until maturity of the Notes associated with the Advisory and Management Consulting Services Agreement (as defined herein) that we intend to enter into with the Principal Shareholders upon completion of the Acquisition.

As of March 31, 2011, €95.8 million of performance bonds, guarantees and letters of comfort had been provided by Evonik, mainly relating to carbon black oil purchasing (€18.5 million) and for financing purposes (€66.2 million). The level of carbon black oil purchasing guarantees fluctuates due to lumpy receipts of carbon black oil shipments. For example, as of December 31, 2010, €49.4 million of performance bonds relating to carbon black oil purchasing had been provided by Evonik, compared to €18.5 million as of March 31, 2011. Following the completion of the Acquisition, the level of performance bonds, guarantees and letters of comfort required for carbon black oil purchasing could increase due to increasing oil prices and the change in ownership structure. The level of carbon black oil purchasing guarantees tends to correlate with the oil price and is expected to increase given the recent increase in oil price. Carbon black oil suppliers may also require additional guarantees due to the new ownership structure, as a result of which Evonik Carbon Black will no longer be supported by Evonik. This may also increase the level of carbon black oil hedging guarantees, which are currently mostly placed within existing credit lines of Evonik. The new ownership structure could also increase the level of credit support guarantees required for local bank loans. However, upon completion of the Acquisition, the Revolving Credit Facility will be the main financing source and reduce the need for local bank facilities, which in turn reduces the need for credit support guarantees.

As a stand-alone business, we intend to reduce the need for purchasing guarantees by (i) implementing an enhanced carbon black oil purchasing process that takes into account the cost of capital implicit in providing a guarantee, which would potentially result in switching to a supplier with marginally higher “headline” carbon black oil prices but lower “all-in” cost; and (ii) optimizing, to the extent possible, shipment schedules from the United States to South Korea and South Africa, thereby staging the need for guarantees from those countries; and (iii) negotiating with suppliers to accept lower guarantees from us.

Quantitative and Qualitative Disclosures about Market Risk

Our activities expose us to a variety of market risks. Our primary market risk exposures relate to foreign exchange, interest rate and commodity risks. To manage these risks and our exposure to the unpredictability of financial markets, we seek to minimize potential adverse effects on our financial performance and capital. Where appropriate, we use derivative financial instruments solely for the purpose of hedging exposure, which corresponds to managing the currency, interest and commodity risks arising from our operations and sources of finance. For this purpose, a systematic financial and risk management system has been established. We do not enter into derivative financial instruments for speculative purposes.

The following discussion and analysis only addresses our market risk and does not address other financial risks which we face in the normal course of business, including credit risk and liquidity risk. For an overview of our financial risk management and financial instruments, see our audited combined financial statements and related notes included elsewhere in this offering memorandum.

Foreign Exchange Risk

Foreign exchange risks relate to both the sourcing of raw materials, the payment of expenses and the sale of end-products in currencies other than our functional currency. The aim of currency management is to protect our business from fluctuations in earnings and cash flows resulting from changes in foreign exchange rates. We take into account the opposite effects arising from cost of sales and operating expenses on the one hand and sales on the other hand. The remaining currency risks relate to changes in the exchange rate of the Euro versus the U.S. Dollar. We manage our foreign currency exchange exposure through normal operating and financing activities and, when deemed appropriate, through the use of derivative instruments, which are currently entered into for our account by Evonik. We use customary products to manage foreign exchange risks, including forward exchange contracts and currency options. Our policy is to hedge accounts payable and accounts receivable, and sales orders and purchase orders with foreign exchange forward contracts with a hedging ratio of 100%. We do not use foreign exchange hedging for expected exposure as our expected exposure from sales is largely offset by our expected exposure from purchases. Historically, Evonik has implemented our foreign currency exchange hedging strategy for our account and risk. However, the foreign exchange derivative instruments existing on the Completion Date will not be transferred to us by Evonik. Following the Completion Date, we expect to put in place a comparable foreign currency exchange hedging strategy in our name to manage our foreign currency exchange exposure.

Interest Rate Risk

We have historically been financed mainly by loans bearing variable interest rates, thereby assuring that interest rate payments are in line with market conditions and eliminating fair value risk.

Commodity Risk

Commodity risk results from changes in the market prices for the purchase of raw materials, mainly carbon black oil. Raw materials are primarily purchased to meet our production requirements. Factors of importance to our risk position are the availability and price of raw materials, starting products and intermediates. In particular, our raw material prices depend on exchange rates and the price of crude oil. Pricing and procurement risks are reduced through worldwide procurement and optimized processes to ensure immediate sourcing of additional raw material requirements.

We have a proactive price and contract management strategy, which supports our efforts to preserve margins via pass-through of feedstock cost increases to customers on a timely basis. A significant proportion of our contracts has formula-driven price adjustment mechanisms for changes in raw material costs (79% in tires, 67% in mechanical rubber goods and 27% in pigments based on estimated sales volumes for 2011). These contracts allow us to pass through changes in raw material costs to customers typically within three months. Over the last few years, we have shifted a significant number of contracts from quarterly price adjustments to monthly price adjustments to improve the speed at which we pass through raw material cost changes to further stabilize our margins. As a result, the percentage of contracts with monthly price adjustments has more than doubled in the past three years based on volume. We also have a significant share of short-term non-indexed contracts (21% in tires, 33% in mechanical rubber goods and 73% in pigments based on estimated sales volumes for 2011), the majority of which we are generally able to reprice frequently, typically on a quarterly basis. Pigment contracts are mostly short-term and non-indexed, reflecting a price structure that is more driven by value in use rather than production costs. This allows us to renegotiate these contracts more frequently, which we believe generally favors the pricing of our customized pigment black products for niche applications.

Oil price development is usually reflected in our variable costs of sales with a delay of one to three months depending on inbound logistics and inventory turnover rates. The impact of oil price fluctuations is typically passed on to customers within three months, which results in windfall gains and losses in times of highly volatile oil price developments. To protect our business against significant oil price volatility, we have been implementing supplemental hedging activities to mitigate the effects of windfall losses. We currently hedge against the time-lag exposure between contract price adjustments, rather than the oil price itself. The hedging strategy initiated in January 2010 is aimed at hedging up to 50% of the volume of our contracts with quarterly price adjustments once it has been fully implemented in 2012. We currently have already implemented approximately 20% of this target. Moreover, we continue to shift contracts from quarterly price adjustments to monthly price adjustments to reduce the need for hedging. Under our hedging strategy, we typically use spread hedges to hedge against carbon black oil price risks resulting from quarterly adjusted sales price formulas. Historically, Evonik has implemented the aforementioned hedging strategy for our account and risk. As of the Completion Date, Evonik has agreed to transfer the aforementioned instruments to us.

Critical Accounting Policies

Our combined financial statements, included elsewhere in this offering memorandum, are prepared in conformity with IFRS, which require us to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent assets and liabilities. Estimates and assumptions may differ from future actual results. The estimates and assumptions that we consider most critical and that have a significant inherent risk of causing a material adjustment are the following:

Carve-out Approach

We have historically operated as a business line of Evonik and reported our results as part of Evonik's business unit "Inorganic Materials". Our combined financial statements have been prepared on a "carve-out" basis from Evonik's consolidated financial statements using the historical financial information attributable to us and include allocations of income, expenses, assets, liabilities and cash flows from Evonik.

As of December 31, 2010, Evonik Carbon Black consisted of 13 legal entities. Until June 30, 2010, however, Evonik Carbon Black was principally conducted by ten legal entities solely operating in the carbon black business line and by three legal entities that also operated in other business lines of Evonik. For the entities that solely conducted activities related to the carbon black business, historical financial information directly attributable to Evonik Carbon Black was readily available in the form of reporting packages used as part of the preparation of Evonik's consolidated financial statements. For the three Carve-out Entities, historical financial information attributable to Evonik Carbon Black was not readily available, but has been specifically identified and allocated on the basis of the historical financial information related to these entities used for the preparation of Evonik's consolidated financial statements. The approach for the necessary carve-out and allocation procedures is set forth in the notes to our combined financial statements, included elsewhere in this offering memorandum.

For the preparation of the combined financial statements it was necessary to make assumptions and estimates for carve-out adjustments as set forth in the notes to our combined financial statements, included elsewhere in this offering memorandum. Accordingly, the combined financial statements do not necessarily reflect the financial position and performance that would have been presented if we had already existed as an independent company during the periods presented and if the transactions between us and other Evonik group companies had been carried out between independent companies. As a result, the combined financial statements are not necessarily indicative of the future development of the business.

The combined financial statements of Evonik Carbon Black present the financial position and performance of Evonik Carbon Black as it has existed under Evonik's ownership, which differs from the business as it will be operated after the completion of the Acquisition in various respects. See *"Presentation of Financial and Other Information"*.

Intangible Assets (Including Goodwill)

Intangible assets are capitalized at acquisition or production cost. Intangible assets with a finite useful life are amortized and an impairment test is conducted if there are indications of a possible impairment. Intangible assets with an indefinite useful life are not amortized; instead they are tested for impairment at least once a year. The assumptions regarding their indefinite useful life are also reviewed annually.

Effects from the purchase price allocation in connection with the asset push-down from the acquisition of the former Degussa group by a predecessor of Evonik in 2003 are included in the combined financial statements. Goodwill arising from the acquisition has been allocated to Evonik Carbon Black based on the proportion of the enterprise value of Evonik Carbon Black to the enterprise value of Evonik's business unit "Inorganic Materials".

Property, Plant and Equipment

Property, plant and equipment are carried at acquisition or production cost and depreciated over their useful life using the straight-line method. If there are indications of a possible impairment, an impairment test is conducted.

Impairment Intangible Assets (Excluding Goodwill) and Property, Plant and Equipment

Any impairment in the value of intangible assets and property, plant and equipment is calculated as the difference between an asset's carrying amount and its recoverable amount, being the higher of net realizable value and value in use, and dealt with in the profit and loss account in the period to which the impairment relates. At each balance sheet date all entities assess whether there is any indication that an asset may be impaired or a previous impairment might be reversed. Where an indication of impairment or reversal of previous impairment exists, the entity estimates the recoverable amount of the asset.

Impairment losses recorded on intangible assets (excluding goodwill) and property, plant and equipment were €6.0 million in Fiscal Year 2010, €1.9 million in Fiscal Year 2009 and €90.9 million in Fiscal Year 2008.

In Fiscal Year 2010, we recorded impairment losses of €4.3 million on intangible assets associated with the acquisition of Evonik Carbon Black LLC (formerly Degussa Engineered Carbons LP, USA), in 2007. Impairment testing revealed that the assets were not recoverable and therefore the assets were fully impaired. In addition, impairments related to the closure and shift of selected production facilities at our operations in the United States were also recorded in 2010.

In Fiscal Year 2008, we recorded impairment losses mainly on our production facilities in Poland, the Netherlands, China, South Africa and the United States, resulting from the economic crisis, which started to have an impact from the last quarter of 2008. The economic crisis resulted in far weaker business expectations for these regions and plants. The impairments relate principally to plant and machinery used to manufacture carbon black.

In Fiscal Year 2010, we reversed impairments of €19.0 million mainly on our production facilities in Poland, China and South Africa, due to the recovery of the worldwide economy, which raised long-term business expectations for these regions and plants.

Impairment of Goodwill

For the purpose of testing goodwill for impairment, goodwill must be allocated pursuant to International Accounting Standard (*"IAS"*) 36 to the cash-generating unit that represents the lowest level within the entity at which the goodwill is monitored by management and is not larger than an operating segment within the meaning of IFRS 8. The annual impairment test of goodwill has to be performed at least annually or whenever there is any indication that goodwill may be impaired. The annual impairment test is generally based on the fair value less costs to sell.

In Fiscal Year 2009, a goodwill impairment of €107.0 million was recorded. The goodwill impairment became necessary due to the continuing economic crisis in 2009, which reduced the business expectations for selected regions and plants, and the longer-term business outlook for the entire business.

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Impairment losses are reversed if the reason for impairment is no longer applicable and to a maximum value of the historical cost price.

In Fiscal Year 2008, a net realizable inventory write-down of €24.2 million was recorded as a result of a decrease in the oil price following the beginning of the economic crisis.

Capital Structure and Financing

The difference between assets and liabilities, as allocated to our business according to the carve-out rules described in the notes to our combined financial statements, is presented as *"Invested Equity"*. As equity is defined under International Accounting Standards Board Framework 49 as the residual interest in the assets of an entity after deducting all liabilities, the residual interest of all assets and liabilities allocated to our business was regarded as equity, which represents the net investment in our business. Therefore, such equity is stated as "Invested Equity" in the combined financial statements. The capital structure attributed to our business in the combined financial statements, presented as "Invested Equity", is not indicative of the capital structure that our business would have required if it had been a stand-alone entity during the financial reporting periods presented.

Provisions for Pensions and Other Post-employment Benefits

Provisions for pensions and other post-employment benefits are measured using the projected unit credit method for defined benefit obligations in accordance with IAS 19, *"Employee Benefits"*. This method takes account of future salary and pension increases as well as pension obligations and accrued entitlements as of the reporting date. The fair value of plan assets is deducted from the benefit obligation. Actuarial gains and losses are derived from the difference between the expected pension obligations and the actual obligation calculated at year end, and from deviations between the expected and actual fair value of plan assets calculated at year end.

The German Carve-out Entity has been legally carved-out as of July 1, 2010. Historically, pension obligations from direct pension commitments for retirees and former employees with vested rights (passive plan population) at Evonik Degussa were not separately allocated to our business and were not transferred in connection with the carve-out. As a result, we have no obligation to pay future benefits to any German former employee or retiree that was part of the passive plan population on July 1, 2010. Therefore, for the periods prior to July 1, 2010, the combined financial statements include pension obligations only to the extent that they relate to our actual workforce during the respective reporting periods.

For the operations in the United States, Evonik Degussa Corp. offers several corporate post-employment benefits schemes to its employees, including those employees working at Evonik Carbon Black LLC, a subsidiary of Evonik Degussa Corp. While historically pension income and expenses were allocated to Evonik Carbon Black LLC, pension liabilities and assets were recorded solely by Evonik Degussa Corp. As pension obligations recorded at Evonik Degussa Corp. also reflect benefits earned for services rendered to our business, the combined financial statements include all liabilities and assets for pensions and similar obligations attributable to Evonik Carbon Black LLC reflecting the obligations being accrued for our business.

The combined financial statements of Evonik Carbon Black include the costs of a U.S. defined benefits plan and other pension and post-employment benefit plans. As of the Completion Date, we expect to put in place new pension plans and other post-employment benefits plans that will be comparable to the current pension plans and other post-employment benefits plans, with the exception of the current U.S. defined benefits plan, which we intend to replace with a U.S. defined contribution plan, the costs of which may differ from those associated with the current U.S. defined benefits plan.

All U.S. pension plans and other post-employment benefit plans will be terminated upon the closing of the Acquisition. As of the Completion Date, we expect to put in place new pension plans and other post-employment benefit plans that will be comparable, in large part but not in every respect, to the pension plans and other post-employment benefit plans in place prior to the Completion Date.

Deferred Taxes, Other Income Taxes

In compliance with IAS 12, “Income Taxes”, deferred tax assets and liabilities are established for temporary valuation and recognition differences between the assets and liabilities recognized in the balance sheets prepared for tax purposes and those prepared in accordance with IFRS. Tax-deductible loss carry forwards that will probably be utilized in the future are capitalized at the amount of the deferred tax asset. Deferred tax assets are recognized on the assumption that sufficient future taxable income is likely to be realized to cover these temporary differences. Where the realization of deferred tax assets is not probable, they are written off.

For the calculation of income taxes in the carve-out financial information for the three Carve-Out Entities Evonik Degussa, Evonik Degussa Italia and Evonik Carbon Black Brazil Ltda., the “Separate Tax Return” approach was applied. This approach assumes that the historical carve-out business is shown as if it had been a separate stand-alone business throughout the historical period. Accordingly, income taxes are calculated as if the carve-out business had been filing separate tax returns in the past, as it will have to in the future following the carve-out as of July 1, 2010.

As a result of the Acquisition, the transfer of the German carbon black business in connection with the Separation will retroactively be treated as a sale of this business by Evonik at fair market value for income tax purposes. Accordingly, the tax basis of the assets transferred to the German carbon black entity will increase, resulting in higher tax deductible amortization in the following periods.

Carbon Black

Carbon black is a commercial form of solid carbon that is manufactured in highly controlled processes to produce specifically engineered aggregates of carbon particles which vary in particle size, aggregate size, shape, porosity and surface chemistry. Carbon black is typically more than 95% pure carbon with minimal quantities of oxygen, hydrogen, nitrogen and sulfur. In the manufacturing process, carbon black particles are formed that range in size from 10 nm to approximately 500 nm. These fuse into chain-like aggregates which define the structure of individual carbon black grades.

Carbon Black Applications

Carbon black is used in a diverse group of materials in order to enhance their physical, electrical and optical properties. Its largest volume use is as a reinforcement and performance additive in rubber products. In rubber compounding, natural and synthetic elastomers are blended with carbon black, elemental sulfur, processing oils and various organic processing chemicals and then heated to produce a wide range of vulcanized rubber products. In these applications, carbon black provides reinforcement and improves resilience, tear-strength, conductivity and other physical properties. Carbon black is the most widely used and cost-effective rubber reinforcing agent in tire components (such as treads, sidewalls, inner liners and beads) and mechanical rubber goods, including industrial rubber goods, membrane roofing, automotive rubber parts (such as sealing systems, hoses and anti-vibration parts) and general rubber goods (such as hoses, belts, gaskets and seals).

Outside the rubber industry, carbon black is used to provide black pigmenting and to enhance conductivity, viscosity, static charge control and UV protection. This type of carbon black (typically called pigment black) is used in a variety of applications in the coatings, plastics, printing inks, and adhesives and sealants industries as well as various other niche applications.

In coatings, oxidized fine particle carbon black is the key to deep jet black paints. Coarser carbon black is used for tinting and is indispensable for obtaining a desired gray shade or color hue.

In plastics, fine particle carbon black is used to obtain a deep jet black color. A major attribute of carbon black is its ability to absorb detrimental UV light and convert it into heat, thereby making plastics, such as polyolefins and polyethylene, more resistant to the UV radiation from sunlight.

In printing inks, carbon black is not only used as pigment but also helps achieve the required viscosity for optimum print quality. Post-treating carbon black permits effective use of binding agents in ink for optimum system properties. New pigment black is being developed on an ongoing basis and contributes to the pace of innovation in non-impact printing.

The table below provides an overview of the major carbon black applications.

Category	Application
Rubber	Reinforcing agent in tires and mechanical rubber components, conductivity, tear resistance
Printing inks	Pigmentation, rheology
Coatings	Black and grey pigmentation, tinting
Plastics	Black and grey pigmentation, tinting, UV protection, conductivity, conductive coating, processibility
Fibers	Pigmentation, UV protection
Paper	Black and grey pigmentation, conductivity, decorative and photo-protective papers
Construction	Cement and concrete pigmentation, conductivity
Power	Carbon brushes, electrodes, battery cells
Metal-reduction compounds	Metal smelting, friction compound
Metal carbide	Reduction compound, carbon source
Fireproofing	Reduction of mineral porosity
Insulation	Graphite furnaces, low-voltage cables, jackets, polystyrene and polyurethane foam
Wires and cables	Low-, medium-, high- and extra high-voltage cables

Carbon Black Manufacturing Process

Carbon black is produced by the thermal decomposition of hydrocarbons (liquid and gaseous hydrocarbons) under controlled conditions, most commonly via incomplete combustion of the feedstock. The most common source of feedstock for the production of carbon black is a heavy stream of hydrocarbon derived from coal or crude processing, which is referred to as carbon black oil. Natural gas, distillates from coal tar (carbochemical oils) or residual oils that are created by catalytic cracking of petroleum fractions and olefins manufactured by the thermal cracking of naphtha or gasoil (petrochemical oil) are the source of this raw material.

Production methods differ based on the way the heat and decomposition stages are arranged. Manufacturing methods include furnace, gas, lamp and thermal black processes. More than 98% of the world's annual carbon black production is achieved through the furnace black process.

Furnace Black Process

The furnace black method is continuous and uses liquid and gaseous hydrocarbons as feedstock. The heated liquid feedstock is sprayed into a heat source generated by the combustion of natural gas or fuel oil and pre-heated air. Because it occurs at a very high temperature, the reaction is confined to a refractory-lined furnace. After the carbon black is formed, the process mixture is quenched by the injection of water. This also prevents any unwanted secondary reactions.

The carbon black-laden gas then passes through a heat exchanger for further cooling whilst simultaneously heating up the required pre-heated air for process combustion. A bag filter separates the carbon black particles from the gas stream. The gases produced by the reaction are combustible and in most cases are fed into an afterburning system to dry the carbon black and in some cases are burnt in a boiler to generate steam. The carbon black collected by the filter has a very low bulk density and, depending on the application, is usually pelletized or further densified to facilitate onward handling.

The furnace black method offers environmental and work safety benefits. The fully enclosed installation controls and reduces the emission of process gases and dust. Besides its environmental and technical advantages, the furnace black method is flexible due to the multiple configurations and process parameters of the furnace reactor design, which allows the manufacture of more different grades of carbon black than any other process currently used. All raw materials and operating conditions are precisely specified. This makes it possible to produce a broad range of carbon black that is suitable for use in various applications without fundamentally changing the process equipment or feedstock for each product variant.

Other Processes

The other process types, although less commonly used, are of significant importance as they effectively tailor products and solutions to customers' specific needs. These processes are:

- *Gas Black*. The gas black method was developed by a predecessor of Evonik in the mid-1930s. The gas black process uses vaporized oils as a feedstock. The oil is heated and the resultant vapors are carried by hydrogen rich gas into a tube fitted with numerous burners. The individual particles impinge on the surface of a water-cooled drum. A portion of the carbon black generated is deposited on the roller, while the rest enters the filter system. Then the two carbon black streams are combined. Onward processing is similar to the furnace black process.
- *Lamp Black*. Lamp black is a specialty black produced through the incomplete combustion of carbon black oil similar to the furnace black process, except that combustion occurs in a large, open, shallow vessel. Lamp black is the oldest industrial scale production process for carbon black still in use.
- *Thermal Black*. This method of producing carbon black is a semi-batch method, with natural gas as the most commonly used feedstock, although higher grade hydrocarbon oils can also be used. It involves the thermal decomposition of the feedstock in a refractory lined vessel, which decomposes the natural gas into carbon black and hydrogen.

Carbon Black Types and Grades

The four production processes yield different types and grades of carbon black products, with the furnace process being the most versatile. Average particle size, particle distribution, specific surface activity and purity, the degree of standardization and the degree of particle aggregation determine the characteristics of carbon black and are primary determinants of its properties. A finer particle size, and therefore a higher surface area, will increase blackness, tint, UV protection, electrical conductivity and viscosity, while lowering dispersibility. Particle distribution impacts rheological properties (the flow/ deformation mechanics of a material) as well as plasticizing power. Specific surface activity and purity impact the filling and reinforcing properties, as well as determine compatibility and reactivity with other substances. Aggregation, or structuring, refers to the way in which the carbon particles are permanently fused together in a random branching structure, or chain, and impacts rheology reinforcement as well as light scattering properties.

The table below provides an overview of the four production processes.

Process	Particle size (nm)	Particle aggregation	Particle distribution	Specific surface	Main applications
Furnace Black	10–80	Variable	Variable	Variable	All
Gas Black	10–30	Low	Narrow	High	Pigments
Lamp Black	60–200	Substantial	Broad	Low	Specialty / Pigments
Thermal Black	100–500	Very low	Low	Low	Specialty / Pigments / Rubber

The properties of most carbon black grades are determined by industry-wide standards which have been developed by the German Institute for Standardization, the International Organization for Standardization (ISO) and the American Society for Testing and Materials (*"ASTM"*), with the latter being the most widely used, especially for rubber carbon black grades. These standards are not only used as a measure by which types of carbon black are characterized but also as a quality assurance tool for the production process.

ASTM rubber grades can be divided into two basic categories. Highly-reinforcing grades (also known as tread grades or hard grades) are identified by ASTM numbers in the 100, 200 and 300 series. These materials are used in tire treads and mechanical rubber goods applications, where they offer good abrasion resistance which is directly related to tread wear. Semi-reinforcing grades (also known as carcass grades or soft grades) are identified by ASTM numbers in the 500, 600 and 700 series. Semi-reinforcing black is used in rubber components requiring low heat build-up during dynamic stress.

There are two distinct groups of carbon black used in pigment applications, proprietary customized grades and clean versions of conventional ASTM rubber grades, processed to reduce sulfur contaminants and to improve further processing.

Carbon Black Handling

Carbon black is primarily marketed in the form of powder (usually pigment black types) and pellets (pigment and rubber black). The handling systems differ substantially depending on the form of carbon black. Carbon black is mainly delivered in bulk (silo trucks and rail cars) and semi-bulk containers (flexible intermediate bulk containers).

Depending on the type, powder black and some pelletized black can be fluidized pneumatically (the use of pressurized gas to affect mechanical motion). This makes it possible to convey them in large quantities through a plant using high air volumes. Due to its low bulk density and relatively poor flow characteristics, powder black is usually not shipped in rigid vessels or silos, but rather packaged in bags or flexible intermediate bulk containers.

Pelletized black, on the other hand, is much easier to handle due to significantly better flow and conveying properties. However, it still requires precautions to prevent degradation during transport, such as conveyor belts and bucket elevators.

Carbon black has a low density, which leads to high transportation costs per value of product shipped. Pigment black, due to its higher margins relative to rubber black, can absorb these transportation costs, allowing for a global reach. Rubber black, on the contrary, tends to be sold on a regional basis as transportation costs are high relative to its sales prices, and the quality of rubber black deteriorates when shipped over long distances.

Industry Overview

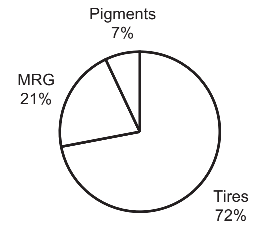
Carbon Black

Introduction

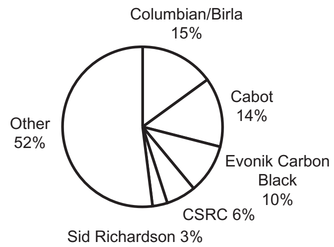
The global carbon black industry accounted for a production volume of 10.2 million tons in 2010. The tire industry accounted for 72% of the total volume demand in 2010, mechanical rubber goods for 21%, followed by 7% for pigment black. The majority of demand growth comes from Asia, driven mainly by dynamics in the local tire industry, including substantial local demand and exports of low-cost tires. In 2000, North America and Europe accounted for almost half of the world's carbon black demand with a combined industry share of 48.3%. While the combined industry share of North America and Europe (excluding Russia) has decreased significantly between 2000 and 2010 to 31.2%, China's industry share has almost tripled to 28.0% in 2010.

World Carbon Black Industry

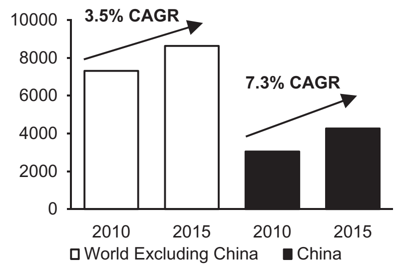
2010A Demand Split (based on volume)



2010E Competitive Dynamics (based on nameplate capacity)



Demand (kmt)



Source: Notch

Carbon Black Demand

Carbon black has historically had a stable growth profile driven primarily by growth in tire and vehicle production and GDP. Other driving factors include plastic consumption and ink production. From 2005 to 2010, demand for carbon black grew at a compound annual growth rate ("*CAGR*") of 2.1% and demand is expected to grow at a CAGR of 4.6% from 2010 to 2015 (3.5% excluding China). The Chinese industry is forecast to grow at 7.3% over the same period. All major industries for carbon black are expected to contribute to the gains with stable increases in production of passenger tires, which remains the key driver for growth.

Carbon Black Supply

The total installed carbon black capacity is estimated at 13.4 million tons (of which 16% in North America, 5% in South America, 8% in the European Union, 7% in Eastern Europe including Russia, 38% in China, 23% in Other Asia, and 4% in the rest of the world). In 2010, the three largest global carbon black producers, Cabot, Evonik and Columbian, together accounted for approximately 39% of the installed global carbon black capacity (pro forma for the Birla/Columbian acquisition). Each of these three competitors produce carbon black for tires, mechanical rubber goods and pigment applications and have manufacturing facilities worldwide. Other than these major global manufacturers, the carbon black industry is composed of approximately 30 to 35 significant suppliers, including ten major regional suppliers and another 20 to 25 smaller local suppliers. The regional suppliers mainly participate in standard tire and non-tire rubber products and do generally not offer the differentiated higher value products for higher-end tires, mechanical rubber goods and pigment applications. Production and end use are typically regional for rubber black, with only a minor amount of global production shipped between the four world regions.

In January 2011, Birla, the world's fourth largest producer of carbon black, entered into a definitive agreement to acquire Columbian, the world's third largest producer of carbon black, in each case based on 2010 capacity prior to the acquisition. The acquisition is expected to be completed by mid-2011 and will create the world's largest carbon black producer. Throughout this section, industry shares and positions for 2010 are presented on a pro forma basis as if the Birla/Columbian acquisition had been completed at the beginning of 2010. See *"Industry, Ranking and Other Data"*.

The carbon black industry is capital intensive and subject to requirements associated with environmental compliance and requires specific technical production knowledge. Close collaborations between customers and suppliers, built on previous success, approval times and a deep understanding of applications technology can create inefficiencies when switching suppliers.

Emerging market economies, especially China, have seen significant carbon black capacity additions in recent years. Between 2008 and 2010, total global carbon black capacity additions were approximately 1,799 kmt. On the other hand, Europe and North America saw capacity closures during the downturn. Total global carbon black capacity closures were approximately 630 kmt.

The table below shows the capacity additions by country between 2008 and 2010 (source: Notch).

Country	Capacity Addition (kmt)
China	1,320
Hungary	35
India	265
Iran	42
Mexico	45
Thailand	80
United States	12
Total	**1,799**

The table below shows the capacity reductions by company between 2008 and 2010 (source: Notch).

Company	Location	Completion	Capacity Reduction (kmt)
Cabot	Waverly, West Virginia	First quarter 2008	75
Evonik Carbon Black	Aransas Pass, Texas	Year-end 2008	60
Columbian	Proctor, West Virginia	January 2009	50
Columbian	Bristol, United Kingdom	January 2009	75
Tupras	Koerfez, Kocaeli, Turkey	March 2009	55
Cabot	Stanlow, United Kingdom	Second quarter 2009	70
Cabot	Berre, France	Third quarter 2009	105
Evonik Carbon Black	Ambès, France	Third quarter 2009	10
Cabot	Thane, India	June 2010	50
Evonik Carbon Black	Botlek, the Netherlands	September 2010	80
Total			**630**

Carbon black industry utilization rates improved in all major regions in the world during 2010, due to growing demand as a result of the economic recovery following the global financial and economic crisis. Utilization rates grew at an even faster rate as capacity was closed during the period. Operating rates are expected to increase further in most regions due to a continuation of the increase in demand. Net capacity expansions are expected to increase supply by 1.4 million tons in Asia and the Middle East. China is expected to continue to have lower utilization rates relative to other regions due to recent large capacity additions on top of an existing oversupply of capacity in the region, in anticipation of further growth.

The table below shows the industry utilization rates by geography for 2010 (source: Notch).

Region	Utilization Rate
North America	77%
European Union	89%
East Europe	81%
China	59%
South Korea	90%
Japan	88%
South America	75%
Rest of World	81%

The carbon black industry can be divided into pigment black and rubber black, which can be subdivided into tire rubber black and mechanical rubber goods rubber black. Each of these three industries has been analyzed separately below.

Pigment Black

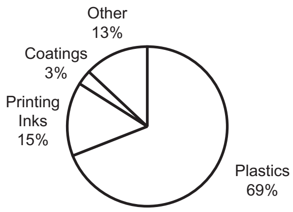
Introduction

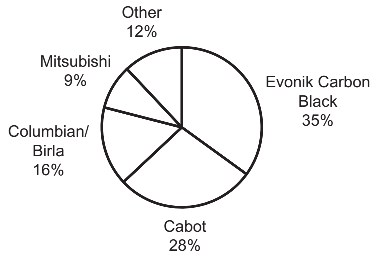
In 2010, production of pigment black totaled 0.8 million tons, comprising approximately 7% of total global carbon black demand based on volume and 18% based on revenue. The biggest consuming regions include the European Union, North America, Japan and China. From 2005 to 2010, global pigment black consumption grew at a CAGR of 2.7% and demand is expected to grow at a CAGR of 4.6% from 2010 to 2015. Demand in the world excluding China is expected to grow at a CAGR of 4.2%, while demand in China is expected to grow at a CAGR of 6.9% during the same period. Emerging markets are expected to be the fastest growing regions, where growth would be driven by rapid industrialization and usage in new applications.

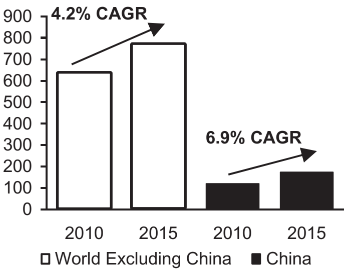
Pigment black is characterized by highly customized applications which customers are willing to support with higher prices and margins. Pigment black is used in the coatings, plastics and printing inks industries, as well as a variety of other niche applications, with plastic applications accounting for the largest proportion of volume usage. Unlike tire black, pigment black tends to be sold on a global basis, as freight costs represent a smaller component of the final price, making it commercially viable to ship them.

Pigment Carbon Black Industry

2010E Split by Application (based on volume)	2010E Competitive Dynamics (based on value)	Demand (kmt)







Source: Notch and Management

Coatings

Global demand for pigment black for coatings was 25 kmt in 2010. From 2010 to 2015, pigment black volumes in the coatings industry are projected to increase to 37 kmt, representing a 7.8% CAGR. A large part of this growth will be driven by emerging markets with rapid industrialization, increased infrastructure spending and rising auto demand.

Typical applications for pigment black in the coatings industry include industrial, automotive and other end uses. Industrial applications are highly diversified with exposure to a number of sub-verticals, including protective and maintenance, marine, packaging and aerospace. Automotive applications include the auto refinish and auto original equipment manufacturing sectors. Other end uses include applications in a broad range of uses such as architecture and decoration.

Plastics

Global demand for pigment black for plastics was 513 kmt in 2010. From 2010 to 2015, pigment black volumes in the plastics industry are projected to increase to 632 kmt, representing a 4.3% CAGR.

Pigment black for plastics is applied in a wide range of highly diversified end uses, including film, blow and injection molding, pipes, wire and cable. For the most part, demand for these applications is linked to GDP growth and industrial production. In emerging regions wire and cable, injection and blow molding and pipes are expected to benefit from rapid industrialization, new infrastructure spending and increasing car ownership trends. Additionally, end-user sophistication combined with disposable income growth will benefit consumer-oriented applications such as high-end synthetic fibers.

North American and European plastics demand is expected to benefit from a global economic cycle upturn through the recovery in industrial production, infrastructure, construction and automotive markets. Key innovation trends, including light weight construction in vehicles (engineering and conductive plastics), ultra-high voltage cables, increasing housing insulation, and techniques for providing clean drinking water, will increase demand for plastics focused on durability and consumer protection.

Printing Inks

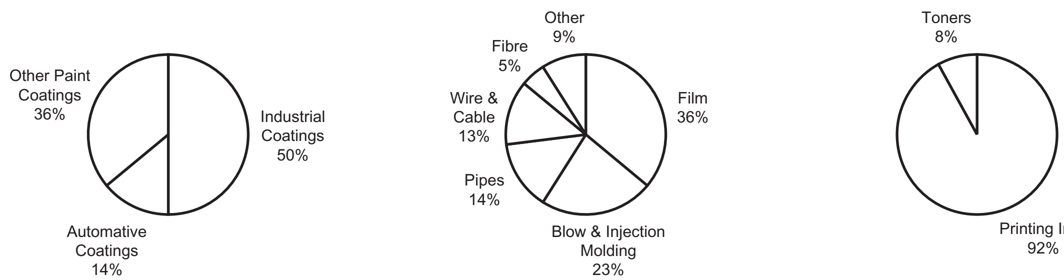
Global demand for pigment black for printing inks and toner was 111 kmt in 2010. From 2010 to 2015, pigment black volumes in the printing inks industry are projected to increase to 141 kmt, representing a 5.0% CAGR.

Pigment black in printing inks is used for coloring purposes, viscosity control and to define certain coloristic properties, such as undertone and gloss. Carbon black-based printing inks improve the readability of printed materials and are relatively stable as they do not fade away over time. Within the printing inks industry, carbon black pigments are used in both print media and packaging.

Print media, particularly in developed markets, has been impacted by electronic media making in-roads into the newspaper advertising market. However, other print media verticals, such as magazines and personalized mailings, continue to show strong growth rates even in developed markets. Population growth, rising literacy rates and increased advertising spending continue to drive strong emerging market growth. Higher growth in packaging inks reflect the strengthening and stable characteristics of its consumer-driven end uses with emerging markets reflecting additional growth from rapid industrialization, higher consumer demand and life style changes, such as urbanization and a focus on convenience.

Pigment Carbon Black Split by Application 2010E (based on volume)

Coatings | **Plastics** | **Printing Inks**



Source: Notch

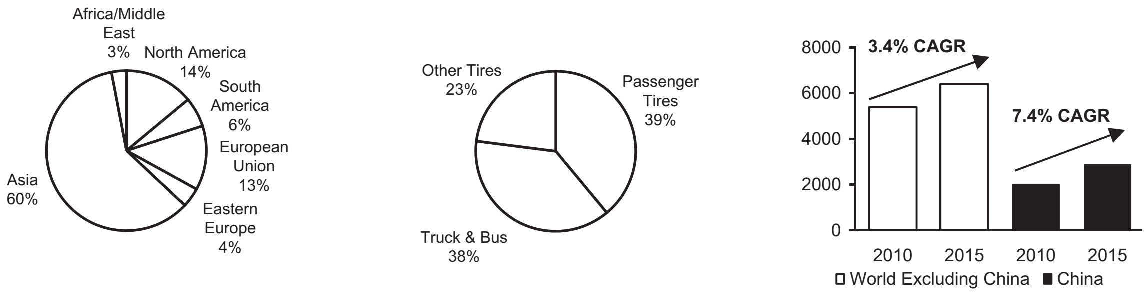
Tire Rubber Black

Introduction

In 2010, production of tire rubber black totaled 7.3 million tons. Volume demand in this industry grew 2.4% per year from 2005 to 2010 and future growth is forecasted at a 4.6% CAGR from 2010 to 2015, mainly driven by growth in Asia and the recovery in the global economy. The demand for tire rubber black in the world excluding China is expected to grow at a CAGR of 3.4%, while demand in China is expected to grow at a CAGR of 7.4% during the same period.

Tire Rubber Black Industry (based on volume)

2010E Split by Region | **2010E Split by Application** | **Demand (kmt)**



Source: Notch

Tire Rubber Black Demand

Demand for tire rubber black is influenced by several factors, such as (i) positive vehicle trends, including the growing number of vehicles produced and registered, and an increase in the number of miles driven, (ii) increased demand for high-performance tires, (iii) increased demand for larger vehicles, such as trucks and buses, and (iv) various regulatory requirements that create demand for more technical tires and in some cases require owners to discontinue use of worn tires. The tire industry has consolidated over the past years with six companies accounting for a total of 61% of the output (Bridgestone, Michelin, Goodyear, Continental, Pirelli and Hankook). The 1990s and early 2000s saw a shift in industrial footprint of tire manufacturers towards Asia. The expansion of tire manufacturing in Asia was primarily driven by the surging number of vehicles in the region resulting from rapid GDP growth and increasing consumer affluence (*i.e.*, meeting local demand). With the shift in tire production, Asia also emerged as a major export hub to developed countries, exporting around 90 and 107 million units to the United States and Europe, respectively, in 2009. As a result of a shift in tire production to Asia, local production of tires in Europe and North America has lagged local demand growth and even decreased over the past ten years. Following a deep decrease in demand for, and production of, tires during 2008-2009 in the midst of the economic crisis, there has been a strong recovery in Europe and North America.

Albeit lagging demand, domestic tire production in the European Union has grown at 1.2% CAGR between 2000 and 2007. We believe that the focus of European manufacturers on high quality tires allows the European Union to continue to be a net exporter of this type of tires, in particular for trucks and heavy vehicles. Following the 2007 peak levels, production fell sharply in 2008 and 2009 (a total drop of 19%) and is still 15% below 2007 levels. North America has had the broadest penetration of lower cost tire imports of any region. Even before the crisis, local tire production in North America decreased in every year between 2004 and 2007 at the expense of an increasing share of imports. Following a sharp cyclical decrease of 22% between 2007 and 2009, the tire manufacturing industry in North America recovered in 2010 to a level that still sits 13% below pre-crisis levels.

The table below provides an overview of the tire production in the European Union and North America in million tires (source: Notch).

Million Tires	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
European Union	294	293	297	305	318	311	317	319	294	258	271
North America	331	297	294	285	280	275	247	236	216	184	204

In the years before 2007, carbon black demand grew in the European Union at a similar pace as tire production. In the same period, carbon black demand decreased in North America, following the decreasing trend in tire production, albeit at a lower pace. As a result of the global economic crisis, carbon black demand decreased by almost 10% worldwide and approximately 20% in each of North America and the European Union, but has since recovered to reach 7.3 million tons in 2010.

Replacement tire demand accounts for approximately 75% of total tire demand, with original equipment manufacturers accounting for the remaining 25%. Historically, replacement tire demand has proven to be significantly less volatile than original equipment manufacturers tire demand. Additionally, carbon black consumed on a per tire basis (referred to as *"loading factor"*) differs greatly, based on vehicle type (for example, commercial vehicles versus cars and sport utility vehicles versus passenger cars), tire quality, tire size and tire lifespan.

Tire Labeling

New tire labeling regulatory requirements globally, and particularly in Europe, are expected to significantly reduce the threat of low-cost tire imports and will favorably impact demand in developed markets. Starting in 2012, under EU Regulation 348 (COM(2009)348 final), all tires sold in Europe must be labeled for fuel efficiency, wet grip and external rolling noise with the general aim of improving fuel economy and reducing tire noise. This regulation will be a key driver behind limiting low-cost tire imports and ensuring that a sizeable production base of tires remains in developed markets. These trends are expected to benefit the tire black industry in the European Union as demand for tire rubber black is highly regional. In January 2010, Japan implemented a similar labeling system which had a positive impact on demand for higher quality tires.

Substitution

As a reinforcing agent, carbon black currently competes primarily with precipitated silica in combination with silane. However, substitution has so far not been large due to carbon black's large cost advantage and continued technological innovation, which has reduced some of the performance advantages of silica combined with silane. In 2010, highly dispersible silica (a type of precipitated silica) combined with silane cost on average roughly 25% more than a comparable grade of carbon black and is substantially more difficult to process. To date, silica-based tires have gained only limited application in passenger car tire trends, largely in Europe. Carbon black suppliers responded to the threat from silica in the 1990s with a vigorous product development push. These efforts narrowed the performance gap relative to silica, particularly in the area of rolling resistance. According to industry consultants Notch, the share held by highly dispersible silica, which is the type that is used to replace carbon black, was less than 3% of total reinforcing agents used in tires in 2010 and is expected to grow to 7% by 2015.

Mechanical Rubber Goods Rubber Black

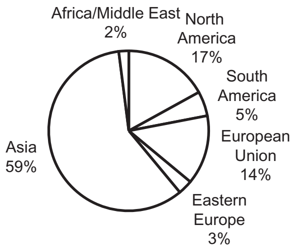
Introduction

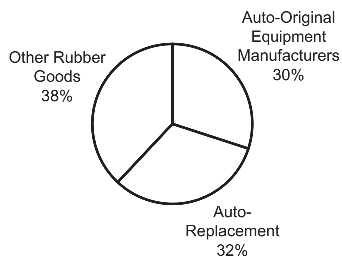
Carbon black used by the mechanical rubber goods industry totaled 2.1 million tons in 2010. Volume demand grew 1.1% per year from 2005 to 2010 and future growth is forecasted to be at a CAGR of 4.6% from 2010 to 2015, with China and India being the fastest growing regions. The demand for mechanical rubber goods rubber black in the world excluding China is expected to grow at a CAGR of 3.3%, while demand in China is expected to grow at a CAGR of 6.9% during the same period.

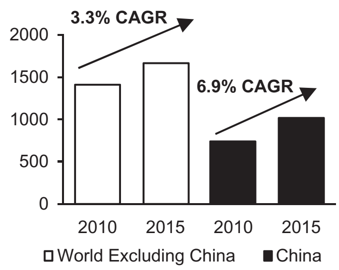
Unlike the tire industry, which represents a single cohesive end-use industry, mechanical rubber goods can be divided into two main applications: automotive and other general rubber goods. Specific items include belts and hoses (such as conveyor belts, transmission belts, v-belts, coolant hose, hydraulic hose and fuel hose) and mechanical and industrial rubber goods (such as seals, gaskets, rollers, sheeting, membranes and wheels). Demand for mechanical rubber goods is influenced by several factors, including (i) positive vehicle trends such as growing number of vehicles produced and registered and (ii) industrial production and GDP trends.

In terms of grade mix in 2010, demand in the mechanical rubber goods industry comes approximately one third from each of specialized grades (used in automotive, wire and cable, food and medical), medium specialty grades (used in transportation, building and construction) and commodity-type tread grades (used in roofing, mats and other applications). For most of the specialized product grades, the most important performance characteristics are good resilience, dispersibility, high hardness, smooth extrusion and moderate reinforcement. Commodity-type tread grades, which are used primarily to contribute reinforcement and abrasion resistance, are used in applications such as conveyor belts, hoses and weather-stripping. Similar to the tire rubber black industry, most of the demand is regional, which necessitates regional sourcing.

Mechanical Rubber Goods Rubber Black Industry (based on volume)







Source: Notch

Mechanical Rubber Goods Rubber Black Demand

The mechanical rubber goods rubber black demand is characterized by a fragmented industry structure reflecting the number of end user outlets and a variety of parts covered in the mechanical rubber goods space. In total, more than a thousand vendors supply this type of rubber goods with the top three vendors, Hutchison, Trelleborg and Continental accounting for 20% of the industry. Similarly to the tire industry a substantial production shift towards Asia has been noted over the past years.

BUSINESS

Overview

We are a leading global producer of carbon black headquartered in Germany. Carbon black is a powdery form of carbon that is customized to impart or enhance certain physical, electrical and optical properties of various materials. Carbon black products are primarily used as additives in coatings, plastics and printing inks (pigment black) and in the reinforcement of rubber (rubber black).

In the Last Twelve Months, we generated sales of €1,244.9 million and Adjusted EBITDA of €164.5 million on a volume of 1,126.1 kmt. We operate a diversified carbon black production platform with more than 130 pigment grades and approximately 40 rubber grades. Our product portfolio is one of the broadest in the industry and is divided across the following two product lines:

- *Pigment Black*. We were the largest global producer of pigment black with an estimated industry share of 35% in 2010 based on revenue. We produce pigment black for several highly specialized niche applications. Pigment black imparts specific desirable characteristics, such as high-quality durable pigmentation, UV protection and conductivity. Pigment black is primarily used in coatings, plastics, printing inks and other specialty applications. In the Last Twelve Months, the pigment black product line accounted for 29.4% of total sales, 65.2% of EBITDA (before unallocated costs, net) and 17.2% of total volume.
- *Rubber Black*. We were the third largest global producer of rubber black with an estimated industry share of 10% in 2010 based on capacity. Rubber black is primarily used for reinforcement of rubber in tires and mechanical rubber goods. In the Last Twelve Months, the rubber black product line accounted for 70.6% of total sales, 34.8% of EBITDA (before unallocated costs, net) and 82.8% of total volume.

We have more than 75 years of experience and enjoy a long-standing reputation within the carbon black industry for applications knowledge, technical expertise and innovation, built upon continually improving processes, some of which were originally developed by our predecessor company Evonik (formerly Degussa). This experience has enabled us to develop our core competencies and proprietary technologies across the carbon black value chain. We focus on providing consistent product quality, reliability and innovation through advanced research and development and application technology.

Our sophisticated research and development and application technology teams work closely with our major clients to develop innovative products and applications, while strengthening customer relationships and improving communication flow. Long-term research and development alliances and superior technical interface with customers allows us to develop tailored solutions and meet unique customer requirements. As a result, we have been able to generate attractive margins for our highly specialized carbon black products.

We operate a modern and comprehensive supply chain network comprising 16 production plants, located in Europe, North America, South Korea, China, South Africa and Brazil, supported by global warehousing and logistics capabilities. Through our global operations, we are able to serve the largest blue-chip consumers of specialty pigments and the leading international tire and mechanical rubber goods customers across a wide spectrum of different carbon black qualities and grades.

In terms of geographical distribution, we generated €447.4 million, or 35.9%, of sales in Europe, €270.5 million, or 21.7%, in North America, €197.3 million, or 15.8%, in South Korea, €88.8 million, or 7.1%, in China, €68.0 million, or 5.5%, in South Africa, €47.3 million, or 3.8%, in Brazil, and €125.6 million, or 10.1%, in other countries in the Last Twelve Months.

Our Strengths

We believe that the factors set forth below provide us with a competitive advantage:

Leading Industry Positions in Carbon Black

We are a leading global producer of carbon black with more than 75 years of experience in the industry and operations in all major economic regions of the world. In 2010, we were the largest global producer of pigment black with an estimated industry share of 35% based on revenue and the third largest global producer of rubber black with an estimated industry share of 10% based on capacity. We generated 65.2% of our EBITDA (before unallocated costs, net) from the pigment black product line in the Last Twelve Months. Many of our pigment black products are highly customized, reinforcing our customer relationships and our leading industry position. Distribution of rubber black is largely regional, since transportation costs are high relative to its sales price. We believe that in most of our key regions, our rubber black industry share is higher than our global share. For example, we held higher rubber black industry shares relative to our global share in Europe, North America, South Korea, South Africa and Brazil in 2010. As a result of our global scale, long standing customer relationships, production and applications know-how, and our ability to meet the capital and regulatory requirements of the carbon black industry, we believe we are well-positioned to maintain our leading industry positions.

Diverse and Flexible Niche Product Offering

We supply customized pigment black and rubber black products for a wide variety of end-uses, including coatings, plastics, inks, tires and mechanical rubber goods. Carbon black product properties can be influenced by the choice of production technology and operating parameters. We believe we possess the largest array of production technologies and that our product offering is the broadest in the industry, including carbon black products for several highly specialized niche applications. At present, we are the only global carbon black producer with know-how and existing capacity to produce pigment black using furnace, gas, lamp and thermal black production processes. As a result, we can maintain a broad product portfolio and offer bespoke products for highly specialized niches of the pigment black industry. In the Last Twelve Months, our EBITDA margin (before unallocated expenses, net) for the pigment black product line was 27.9%. Our rubber black product line offers both standard and specialty applications for tires and mechanical rubber goods produced with furnace and thermal black production technologies. The cost and processing advantages of rubber black when compared to, for instance, silica-based tires, make rubber black currently the most economical product available for these applications.

Our diverse and flexible product offering lowers our dependency on individual products and end-uses. We have made recent investments in strategic sites to increase the flexibility of our production platform. This increased flexibility allows us to opportunistically shift our capacity to produce higher margin products, including shifting from rubber black for tires to rubber black for higher-end mechanical rubber goods and specialty pigment black.

Global Footprint with Local Access to Blue-chip Customer Base

Our strategic manufacturing presence in key regions and our global sales reach provide us with a competitive platform to service our customers. We operate a modern and comprehensive global supply chain network comprising 16 production plants, located in Europe, North America, South Korea, China, South Africa and Brazil, supported by global warehousing and logistics capabilities. Our broad geographical presence enables us to coordinate raw material purchasing and optimize manufacturing process economics. The geographic diversity of our operations lowers our dependency on individual regions and provides downside protection. It allows us to offer our customers backup supply capabilities in the event of supply disruptions or unexpectedly high demand. Through our global operations, we serve the largest blue-chip consumers of specialty pigments and the leading international tire and mechanical rubber goods customers in multiple regions globally. We are a supplier to more than 2,100 customers across 80 countries and have been a long-term supplier to many blue-chip companies in the industry. In particular, we have been serving 18 strategically positioned, global key customers for over 20 years, including eight in pigment black (AkzoNobel, BASF, DuPont, Flint Group, KCC, PPG Industries, Siegwerk and Sun Chemical), six in tires (Bridgestone, Continental, Cooper, Hankook, Goodyear and Michelin) and four in mechanical rubber goods (Cooper Standard, Hexpol, Hwaseung and Trelleborg). Our reputation results from our focus on high product quality, consistency, reliability and innovation, combined with technical product and applications support and key account management. This has contributed to our preferred supplier status with many blue-chip customers.

Our strategic locations in key regions of the world provide us with a logistical advantage to capitalize on present and future industry trends. Many of our plants are located within close proximity to key customer sites. This allows us to compete regionally on a cost effective basis due to the relatively high transport costs of rubber black, which reduces interregional shipment of rubber black.

Our pigment black production plants are located in the major economic regions of Europe, North America and Asia, and serve customers globally. We believe our scale and depth of product make us well-positioned to take advantage of favorable trends in both developed and emerging countries. We believe we are well positioned to serve the key growth emerging markets through our manufacturing presence in Latin America (Brazil), Sub-Saharan Africa (South Africa), Asia (South Korea and China) and Eastern Europe (Poland).

Integrated Research and Development Department with Close Customer Collaboration

We enjoy a long-standing reputation within the carbon black industry for applications knowledge, technical expertise and innovation. Our production and applications know-how allows us to develop high-quality niche products tailored to meet specific customer requirements. We deploy state-of-the art research facilities, including pilot plants, simulation technologies, lab scale manufacturing equipment, and sophisticated testing laboratories. These are devoted to develop new products, improve process efficiencies and realize further cost savings. Our sophisticated research and development and application technology teams work closely with our major clients to develop innovative products and applications, while strengthening customer relationships and improving communication flow. This customer collaboration provides us with a deep understanding of customer needs and production challenges, as well as a long-term industry outlook. At the same time, it reduces our time to market for new product innovations. Long-term research and development alliances and superior technical interface with customers allows us to develop tailored solutions and meet unique customer requirements. As a result, we have been able to generate attractive margins for our highly specialized carbon black products. Our level of product customization and collaborative research and development incentivizes our customers to maintain their business with us. In addition, the qualification and approval processes with customers in many of the carbon black end-market applications, occasionally extending more than one year, can result in inefficiencies when switching suppliers.

Flexible Contracts with the Ability to Pass Through Raw Material Cost Increases to Customers

We have a proactive price and contract management strategy, which supports our efforts to preserve margins via pass-through of feedstock cost increases to customers on a timely basis. A significant proportion of our contracts has formula-driven price adjustment mechanisms for changes in raw material costs (79% in tires, 67% in mechanical rubber goods and 27% in pigments based on estimated sales volumes for 2011). These contracts allow us to pass through changes in raw material costs to customers typically within three months. This supports our efforts to maintain margins in most volatile raw material pricing environments. For example, Brent crude oil prices peaked at $146 per barrel in July 2008 and subsequently decreased to $37 per barrel in December 2008. Despite the significant fluctuation in oil price and the fact that the average Brent crude oil price in 2008 was considerably higher at $99 per barrel compared to $63 per barrel in 2009, we were able to maintain our average raw material margin per ton of €366.1 in 2008 compared to €369.0 in 2009. Recently, we have shifted a significant number of contracts from quarterly price adjustments to monthly price adjustments to improve the speed at which we pass through raw material cost changes in order to further stabilize our margins. As a result, the percentage of contracts with monthly price adjustments has more than doubled in the past three years based on volume. We have a supplemental hedging strategy in place to protect against the time-lag exposure between contract price adjustments. We also have a significant share of short-term non-indexed contracts (21% in tires, 33% in mechanical rubber goods and 73% in pigments based on estimated sales volumes for 2011), the majority of which we are generally able to reprice frequently, typically on a quarterly basis. Pigment contracts are mostly short-term and non-indexed, reflecting a price structure that is more driven by value in use rather than production costs. This allows us to renegotiate these contracts more frequently, which we believe generally favors the pricing of our customized pigment black products for niche applications.

Experienced Management Team Supported by our Principal Shareholders

Our senior management has an average of more than 20 years of business and industry experience. Our chief executive officer, Jack Clem, joined the business in 2001 and has over 35 years of experience in the performance and specialty minerals and chemicals industry. Our chief financial officer designate, Charles Herlinger, has acted as chief financial officer for both public and private companies, and has valuable experience with sponsor-led buyouts. Our managers are veterans of specialty materials businesses and have a track record of achieving profitable growth in the chemicals industry and managing businesses through cyclical downturns. Our management responded quickly to the global economic downturn in 2008 and 2009 with the implementation of a restructuring program, including plant closures, reduced overhead costs, reduced product portfolio complexity, and improved sourcing, which allowed us to take steps to further strengthen our asset base and competitiveness. Since the initiation of the carve-out process in April 2010, our management has effectively operated the business with the objective of becoming an independent company, making substantial improvements in operational processes, such as margin, customer and product mix management and supply chain effectiveness. We believe our management is well-positioned to implement our strategy and to operate the business on a fully stand-alone basis going forward. Following the Acquisition, we will also benefit from the relationships, knowledge, investments and carve-out experience in the chemicals and materials industries of Rhône and Triton.

Our Strategy

We continue to use our core competencies in carbon black production and applications and drive improvements based on the following key strategies:

Enhance Leading Industry Position and Improve Competitive Advantage

We aim to use our leading position and proven track record for pigment black and plan to selectively increase our regional manufacturing capabilities in Europe, North America and Asia to further expand our global presence and customer reach. We are expanding our key account management initiatives globally and are standardizing best practices across all our facilities. We aim to improve the competitive advantage of our rubber black business through various supply chain improvements, including global inventory management, integrated sales and production planning, process efficiency upgrades, and further optimization of feedstock purchasing methods. We also plan to selectively expand and upgrade our rubber black capacity in Asia and Europe, in particular for mechanical rubber goods. We seek attractive partnerships with, or acquisitions of, carbon black companies that complement the technical and geographical requirements of our customers. We continue to evaluate increasing our energy co-generation capabilities through investments in energy recovery and continue to improve efficiencies with the roll-out of advanced reactor designs.

Realign Portfolio Towards Higher Margin Products and Applications

We continue to upgrade and expand our pigment black capacity towards higher margin products and applications. Our flexible production platform enables us to shift additional production capacity within a short time frame to higher margin carbon black products, while at the same time reducing or discontinuing less profitable product lines. We expect this will result in further product mix and margin improvements combined with a reduction in portfolio complexity. We plan to support the portfolio realignment through ongoing investments in technology. We have made recent investments in strategic sites to increase the flexibility of our production platform. For example, we have migrated production lines from rubber black to pigment black at our Malmö (Sweden) and Belpre (Ohio) plants. We have upgraded our rubber black production lines for mechanical rubber goods in South Korea and Italy and are in the process of installing a “swing production line” in China, which will allow us to easily shift production capacity between rubber black for tires and mechanical rubber goods. We believe that these investments will allow us to shift additional production towards higher margin products and applications in accordance with demand.

Our sophisticated research and development and application technology teams continue to collaborate with customers to introduce new pigment black grades with improved performance attributes. For example, we are committed to introducing coatings systems that use limited amounts of volatile organic compounds and thus have reduced impact on the environment. Additionally, we continue to improve grades for highly dispersing fiber, and wire and cable applications, which are in demand as a result of infrastructure and demographic growth. We continue to pursue higher margin rubber black product opportunities by focusing on value-added segments in tires and mechanical rubber goods. Examples include new grades that offer lower rolling resistance in tires while maintaining traction and wear characteristics, and improved processibility and aesthetics in extruded compounds for automotive sealing systems. We aim to increase customer demand for our higher margin carbon black offering through enhanced sales and marketing efforts.

Further Improve Productivity and Cost Structure to Enhance Cash Flow Generation

We intend to implement a more efficient corporate and management structure coupled with compensation arrangements that incentivize our employees based on value creation and cash generation, with individual bonuses based on performance. We plan to enhance our global management information centers and technology platforms to provide better transparency and improve organizational efficiencies. We have realized significant savings in the past through plant closures and a reduction in overhead costs, and we intend to achieve further cost savings by actively managing costs and capacity as regional demand warrants. For example, we closed the Botlek (the Netherlands) plant in September 2010, which accounted for approximately €7.4 million of fixed cost of sales in Fiscal Year 2010, while successfully shifting sales and volumes to our other European carbon black plants, without incurring any material fixed cost of sales increases at such plants. In addition, we reduced overhead costs throughout our business mainly through an overhead headcount reduction of approximately 40 full-time equivalent employees (*"FTEs"*) in Fiscal Year 2009, primarily at German sites. We aim to enhance our cash flows and reduce our net working capital requirements by improving global inventory management, feedstock purchasing methods, and receivables and payables management. We plan to accelerate the migration of customers to contracts with shorter price adjustment terms to improve the speed at which we are able to pass through raw material cost changes. We also plan to accelerate the implementation of our supplemental hedging strategy to protect against the time-lag exposure between contract price adjustments.

History and Development

Our history goes back to the 1930s, when Degussa (a predecessor to Evonik Degussa) acquired a small carbon black factory in Kalscheuren, Germany, which remains one of our major production sites. In the 1980s, we focused on international expansion of the carbon black business and acquired factories in the United States, several European countries and in South Africa. In the 1990s, we continued our international carbon black acquisition strategy through the establishment of our Chinese joint venture and the acquisition of a South Korean carbon black business. In addition, a factory in Poland was acquired, and a greenfield facility was built in Brazil. In recent years, through various management initiatives, we have accelerated our focus on pigment black. Since 2000, we have increased our pigment black capacity by more than 40%, and we intend to continue to increase this capacity in the future.

The following table sets forth certain key milestones in our business.

Phase	Year	Description
Historical Backdrop	1932	Degussa enters the carbon black business through the acquisition of a significant share in August Wegelin AG (Kalscheuren), a producer of carbon black, roofing and black color
	1936	Degussa forms the German JV with German tire producers
	1938	The German JV starts to produce under the gas black process
		Degussa acquires the remaining shares in August Wegelin AG (Kalscheuren)
	1956	The German JV starts using the furnace black process
	1958	Start of furnace black process in Kalscheuren (Germany)
International Expansion	1986	Degussa acquires factories in Ambès (France), Botlek (the Netherlands), Malmö (Sweden), Ravenna (Italy) and Port Elizabeth (South Africa)
	1988	Degussa acquires factories in Ivanhoe (Louisiana), Aransas Pass (Texas) and Belpre (Ohio)
	1994	Degussa forms the first German/Chinese joint venture in the field of carbon black in Jiaozhou (China)
	1999	Degussa acquires ECB Korea
	2000	Degussa acquires ECB Poland
	2002	Paulinia plant in Brazil starts operations
		Degussa forms a joint venture with Engineered Carbons in the United States
Repositioning Towards Pigments	1998	Kalscheuren initiative to increase pigment focus implemented between 1998 and 2003
	2002	Evonik installs new gas black unit at the German JV
	2007	Evonik buys out Engineered Carbons JV partner in North America
	2008	Evonik installs two new oxidation units for gas black at Kalscheuren (Germany)
	2009	Evonik converts rubber line into pigments at Kalscheuren (Germany)
	2010	Evonik converts rubber lines into mainly pigments at Belpre (Ohio) and Malmö (Sweden)

Products and Applications

We have a diversified carbon black production platform across the pigment black and rubber black product lines. We offer more than 130 pigment grades and approximately 40 rubber grades, as well as a number of well-recognized brand names and trademarks. Our product portfolio is one of the broadest in the industry. Our product and geographic diversity exposes us to a wide variety of applications and industries, which in turn lowers our dependency on individual customers or regions. Our overall product portfolio benefits from higher-margin pigment black products and stable margin rubber black products in the more mature regions.

The following table provides an overview of carbon black applications divided by our product lines and sectors.

Product Lines	Sectors	Applications
Pigment Black	Coatings	Automotive, general industrial, architecture and decorative
	Plastics	Pipe, wire and cable, films, blow and injection molding, fiber and other
	Printing Inks	Packaging and print media
	Dealers & Others	Dealer sales and other specialty applications
Rubber Black	Tires	Automotive, agriculture and other
	Mechanical Rubber Goods	Industrial, automotive and construction

Pigment Black

Overview

We were the largest global producer of pigment black with an estimated industry share of 35% in 2010 based on revenue. Pigment black is used to enhance specific desirable characteristics, such as high-quality durable pigmentation, UV protection and conductivity, of assorted materials primarily in the coatings, plastics and printing inks industries. Our pigment black product offering encompasses more than 130 different grades as our customers often specify products by end-use application performance.

Our pigment black product line generated 193.3 kmt of sales volume in the Last Twelve Months. The pigment black product line has a relatively balanced product mix divided into four sectors: Coatings, Plastics, Printing Inks and Dealers & Other. Plastics accounted for more than half of our sales volume in the Last Twelve Months, Printing Inks accounted for nearly a quarter and Dealers & Other and Coatings represented the remainder. The pigment black product line does not include rubber grade products that are sold into pigment black industries.

Our pigment black products generate higher raw material margins per ton than our rubber black products, with Coatings representing the highest raw material margin per ton, followed by Dealers & Other, Printing Inks and Plastics. The key to attractive margins in the product line lies in the innovation of our research and development department and the customer support of our application technology department. Our pigment black products are typically developed based on product requirements of key customers, and our research and development department and application technology department support the product customization process. We provide assistance through the whole value chain, including product formulation, technical support, product handling, packaging, logistics and final application.

We are recognized by our customers as a leading innovator and manufacturer of customized products fitting specific application needs. The pigment black customer base is relatively diverse, with the top five customers accounting for 21% of pigment black product line sales in Fiscal Year 2010. We have been supplying many of our blue-chip customers for over ten years.

Coatings

Product and Application Portfolio

We have a broad Coatings product portfolio, which includes products used for pigmentations in pure black coatings (*e.g.*, in automotive basecoats), for tinting in all other coatings and paints and for light tinting in transparent coatings (*e.g.*, for metallic effects and wood glazing). The variety of our different manufacturing processes allows the creation of pigments with different morphological and chemical properties, thereby giving some of our pigment products unique characteristics. Coatings-related pigment black products are manufactured in Kalscheuren (Germany), Dortmund (Germany), Yosu (South Korea) and Belpre (Ohio).

The following table illustrates our coatings applications.

Coatings	Automotive	General Industrial	Architectural & Decorative
Applications	Automotive original equipment manufacturing Automotive Refinish	Wood, coil and plastic coatings Protective and marine Aerospace Packaging	Architectural Decorative
Attributes	Pigmentation High jetness and blue undertone	High-performance tinting	Tinting
Brands	PRINTEX® NEROX® Lamp Black Gas Black Special Black	PRINTEX® NEROX® Lamp Black Gas Black Special Black	PRINTEX® NEROX® Lamp Black Gas Black Special Black

Customers

The global coatings industry consists of a few key suppliers which account for approximately half of the global coatings capacity. Pigment black product supply decisions are not principally determined by price but by the underlying formulation, specific product customization and quality. We believe we have the ability and application technology platform to meet these customers' demanding requirements. This industry characteristic leads to attractive margins.

We supply many of the coatings industry's blue-chip customers and have longstanding relationships with several major global customers. We have been serving certain of our key customers for over 20 years, including AkzoNobel, BASF, DuPont, KCC and PPG Industries. The coatings customer base is relatively diverse, with the top five customers accounting for 29% of Coatings sales in Fiscal Year 2010.

Plastics

Product and Application Portfolio

We have a broad Plastics product portfolio, allowing us to supply most applications in the plastics industry. The broad product portfolio is supported by an application technology platform and enables us to serve the entire product demand spectrum. Plastics are the largest end-use in our pigment portfolio. Our pigment products for Plastics are primarily manufactured in Kalscheuren (Germany), Dortmund (Germany), Yosu (South Korea), Bupyong (South Korea), Qingdao (China), Belpre (Ohio) and Borger (Texas).

Our customized product portfolio is tailored to meet specific industry and customer needs. For example, drinking-water pipes made of polyethylene, agricultural films, cables and other articles exposed to UV radiation (sunlight) need to be protected against polymer degradation and subsequent deterioration of mechanical strength. We offer tailor-made products that not only provide efficient UV protection but also provide additional benefits, such as good processing properties. Products offered also meet special performance criteria like food-contact compliance and spin-fiber quality.

In addition to UV protection, our portfolio includes products from standard- to high-performance grades designed and modified to provide electrical conductivity and antistatic properties to many different plastic articles, such as high-voltage cables, films, boxes and pipes.

Our portfolio offering targeted at fiber products and technology represents a niche growth area providing a broad range of jetness and simultaneously good filterability. The bluish undertone makes these grades especially attractive for high-performance fibers in textiles, with luxury touch and feel. Good filterability provides good process stability during the fiber manufacturing process.

The following table illustrates our plastics applications.

Plastics	Pipe	Wire & Cable	Films	Blow & Injection Molding	Fiber	Thermal Insulation	Other
Applications . . .	Pressure pipes (water, gas) Irrigation Sewage pipes Conductive pipes/hoses	Power cables (LV to HV) Jacketing	Agricultural Packaging Geomembrane Foil Laminations	Packaging Housing Container Automotive	Textile Industrial Non-Woven	Construction	Thermosets TPE Profiles Plastics
Attributes	Dispersibility UV protection Conductivity	Dispersibility UV protection Conductivity	Dispersibility UV protection Coloring	Dispersibility UV protection Conductivity	Dispersibility Coloring	IR absorption	Thixotrophy Dispersibility Colouring Reinforcing UV protection
Brands	PRINTEX® AROSPERSE Hiblack®	PRINTEX® Hiblack®	PRINTEX® AROSPERSE Hiblack®	PRINTEX® AROSPERSE Hiblack®	PRINTEX® AROSPERSE Gas black	Lamp black AROSPERSE	PRINTEX® AROSPERSE Hiblack® Lamp black

Customers

Due to the diverse nature of plastic applications (construction, general industrial, engineering, automotive and packaging), the customer base for plastics tends to be wide-ranging from regional and international master batch producers to global integrated petrochemical and polyolefin producers. We supply many of the plastics industry's blue-chip customers and supply leading customers in each region. We have been serving certain of our key customers for over 15 years, including Borealis and Clairant. Our top five customers accounted for 32% of Plastics sales in Fiscal Year 2010.

Printing Inks

Product and Application Portfolio

We have a broad Printing Inks product portfolio with a large number of grades for different printing ink technologies and applications. We operate different process technologies to offer highly specialized products that meet specific requirements. The product portfolio includes pigments that meet special demands, including compliance with food-contact regulations and specially formulated products that achieve different coloristic properties (such as undertone, optical density and gloss), rheological effects and dispersibility functions. Printing inks black products are mainly manufactured in Kalscheuren (Germany), Dortmund (Germany), Yosu (South Korea) and Belpre (Ohio).

We focus on print applications with the highest potential for specialty applications. Consequently, relatively low-end newspaper applications represented only a small portion of our overall pigment black sales in Fiscal Year 2010. Margins in other print applications are relatively high, as printing ink producers have to meet and balance numerous technical properties, such as ease of dispersion, processing, handling, formulation requirements, final product performance hold-out, rub resistance and, most importantly, coloristic properties like jetness, optical density, gloss, light-fastness, hue and color tone. Our pigment product portfolio supports printing ink producers to achieve these attributes.

Packaging inks are liquid inks with a special need for rheology, dispersion and wetting behavior of the pigment used. UV curing inks on nonporous substrates require special surface chemistry for wetting, flow, color and stability. We are recognized for our low structure, surface after-treated, post-oxidized carbon black pigments.

The following table illustrates our printing inks applications.

	Packaging		Print Media				
Printing Inks	High-end Packaging	Packaging	Display Advertising	Publication (magazines)	Special Applications	Books, Posters, Brochures	Newspaper
Applications	Liquid inks UV curing Sheetfed Screen	Liquid inks	Heatset Sheetfed Screen	Heatset Sheetfed Publication gravure	Screen Water-based gravure UV curing	Sheetfed UV curing	Water-based flexo Coldset
Attributes	Coloring Gloss Food contact Regulations Wetability	Coloring	Coloring Gloss Moderate flow Wetability	Coloring Gloss Good flow Low abrasion	Coloring Gloss Moderate flow Wetability	Coloring Gloss Moderate flow Wetability	Coloring
Brands	NEROX® PRINTEX® Special Black	PRINTEX® Hiblack®	NEROX® Hiblack® PRINTEX® Special Black	PRINTEX® Hiblack®	PRINTEX® Special Black	PRINTEX® Special Black	PRINTEX® Hiblack®

Customers

The global printing inks industry has been undergoing consolidation over the past few years. Currently, the industry is dominated by a few key suppliers. The top ten suppliers account for approximately 80% of global printing inks capacity. Sourcing decisions for the printing inks industry are largely based on pigment black product attributes. For low-end applications, decisions are made based primarily on price. For high-end pigment applications, a high degree of product and technology know-how is needed. We play an important role in helping our customers develop customized ink solutions and are recognized by customers as a preferred strategic and technical partner. We have been serving certain of our key customers for over 20 years, including Flint Group, Siegwerk and Sun Chemical. Due to the relatively consolidated nature of the printing inks industry, our top five printing inks customers accounted for 65% of Printing Inks sales in Fiscal Year 2010.

Dealers & Other

Dealers & Other is divided into two categories. The Dealers category includes sales to dealers and distributors serving all pigment applications, including coatings, plastics and printing inks, which in turn sell to smaller customers with whom we do not negotiate directly. The Dealers category generated 37% of our Dealer & Other sales volume in Fiscal Year 2010. The Other category includes sales of carbon black for use in various other applications not covered by our coatings, plastics and printing inks sectors, including toners, silicones, non-wovens, carbon brushes and batteries. The Other category generated 63% of our Dealer & Other sales volume in Fiscal Year 2010.

Competition

We were the largest global producer of pigment black with an estimated industry share of 35% in 2010 based on revenue. Cabot and Birla/Columbian were the second and third largest global producers of pigment black with industry shares of 28% and 16%, respectively, in 2010 based on revenue. The top three producers use their research and development and applications technology platforms to tailor products to customer needs and to introduce pigment black into new application niches. Most regional carbon black suppliers have not gained significant presence in pigment black.

Rubber Black

Overview

We were the third largest global producer of rubber black with an estimated industry share of 10% in 2010 based on capacity. Distribution of rubber black is largely regional, since transportation costs are high relative to its sales price. We believe that in most of our key regions, our rubber black industry share is higher than our global share. For example, we held higher rubber black industry shares relative to our global share in Europe, North America, South Korea, South Africa and Brazil.

Rubber black is primarily used for reinforcement of rubber in tires and mechanical rubber goods. Based on the application of rubber black, we have divided the rubber black product line into two categories: Tires and Mechanical Rubber Goods. Our rubber black product line generated 932.8 kmt of sales volume in the Last Twelve Months. Tires accounted for the vast majority of rubber black sales volume in Fiscal Year 2010, with Mechanical Rubber Goods accounting for the remainder. Relative to our competitors, we believe that we generate a larger percentage of rubber black sales volume for higher margin mechanical rubber goods.

We hold leading positions in the major rubber black industries and have access to emerging regions through our leading positions in South Korea and South Africa. Our presence in China and Brazil provides an additional platform for growth in rubber black, with the ability to shift production capacity to mechanical rubber goods and pigment black.

Tires

Product and Application Portfolio

We offer a broad Tires product portfolio which includes both tread and carcass grades of carbon black. Tread carbon black is used mostly in the tire component which is in contact with the road and comprised approximately 70% of tire black sales in Fiscal Year 2010. In addition to standard grades, we produce some specialty tread grades tailored to meet specific customer needs, such as ECORAX grades designed to lower rolling resistance and HP grades for high- and ultra-high-performance tires. Carcass carbon black is used in the side wall of the tire. Carcass carbon black accounted for approximately 30% of tire carbon black sales in Fiscal Year 2010. We have a full line of standard carcass products as well as differentiated carcass grades to meet specific customer needs, including ECORAX and PUREX grades. Products are mainly sold to global customers via key account managers and are produced regionally.

Customers

Given the highly consolidated nature of the tire industry, our top five customers represented approximately 70% of our Tires sales in Fiscal Year 2010. A significant portion of our tire black volumes are sold to top-tier tire manufacturers. We have longstanding relationships with most of these customers and have the capacity to serve them in all major global regions. We have been serving certain of our key customers for over 20 years, including Bridgestone, Continental, Cooper, Goodyear, Hankook and Michelin.

Within our supply chain management system, we utilize a vendor-managed inventory system, which allows us to monitor and manage inventory levels based on expected demand and on previously agreed minimum and maximum inventory levels, allowing us to meet clients' needs when required. This provides us with higher customer intimacy and valuable insight about customer demand patterns.

We believe that our customers value the quality, consistency and reliability of our operations and are generally reluctant to switch suppliers without due cause. In addition, because automotive tires have safety implications, tire manufacturers are required to go through plant approval processes before they change their supplier of carbon black. Furthermore, our extensive pan-European, North American and pan-Asian supply chain network ensures that we are in close proximity to our core customers.

Mechanical Rubber Goods

Product and Application Portfolio

We produce various carbon black products and grades serving customers across the whole value chain, including compounders, parts and component manufacturers and automotive system suppliers. Our mechanical rubber goods carbon black product portfolio is split into three main groups, consisting of commodity-type ASTM grades and various specialized (medium and high) non-ASTM grades (*e.g.*, PUREX HS 25 and HS 22), which have exceptionally high purity, consistency and dispersing ability. These purer forms of carbon black allow for a smoother finish and improve the optical appearance of sealing systems. We have a diversified geographic presence with significant exposure to the European, North and South American, and Asian industries.

The following table illustrates our mechanical rubber goods applications.

Mechanical Rubber Goods	Transportation Construction and Others	Automotive				Wire & Cable	Food & Medical
Applications	Conveyor belts Construction profiles Mechanical rubber goods	Extruded and other profiles	Damping elements Hoses Transmission belts	Molded goods with high resistance'	Seals Rubber-to-metal bonding Unvulcanized sheets and adhesives	Electrically conductive and antistatic rubber goods	Profiles Tubing Hoses Sealings
Attributes	Tensile strength Tear and abrasion resistance Reinforcement	Filler loadings Compression Smooth surfaces Processability Consistency	Processability Injection molding and calendering	Low hysteresis Reinforcement Processing	Scorch safety Tensile strength	Electrical conductivity or antistatic behavior	Dispersion, Filler loadings
Brands	CORAX®	PUREX® DUREX® Thermal black N990	CORAX® PUREX® DUREX®	PUREX®	CK 3	PRINTEX® CORAX® PUREX®	PUREX® Thermal black N990

Customers

The mechanical rubber goods industry is fragmented in nature and supports a large number of suppliers. The industry, however, is in the process of being further consolidated. Our top five global customers accounted for approximately 25% of our Mechanical Rubber Goods sales in Fiscal Year 2010. We supply various blue-chip customers and have longstanding relationships with several of them. We have been serving certain of our key customers for over 20 years, including Cooper Standard, Hexpol, Hwaseung and Trelleborg.

Competition

We were the third largest global producer of rubber black with an estimated industry share of 10% in 2010 based on capacity. Birla/Columbian and Cabot were the largest and second largest global producers of rubber black with estimated industry shares of 15% and 14%, respectively, in 2010 based on capacity. Distribution of rubber black is largely regional, since transportation costs are high relative to its sales price. As a result, the global rubber black industry is more fragmented compared to the pigment black industry. We believe that in most of our key regions, our rubber black industry share is higher than our global share. For example, we held higher rubber black industry shares relative to our global share in Europe, North America, South Korea, South Africa and Brazil. The smaller regional suppliers participate mainly in standard tire and mechanical rubber goods applications and are less prevalent in more specialized products for the higher-end tire and mechanical rubber goods applications.

Procurement and Raw Materials

In Fiscal Year 2010, raw materials accounted for approximately 70% of the total manufacturing cost of the final product. Approximately 90% of the raw material used in the production of carbon black is an oil-based feedstock known as carbon black oil, with some limited use of other materials, such as nitrogen tetroxide, hydrogen and natural gas. Carbon black oil comes from three main sources: (i) fluid catalytic cracking bottoms, a by-product of fuel producing refineries, (ii) steam cracker tar, a by-product of ethylene producing crackers, and (iii) coal tar distillate, a by-product of pitch producing coal tar distillers.

The efficient procurement of carbon black oil is an important factor to achieve optimal production costs and profitability. We employ a dedicated carbon black oil procurement group which is fully integrated within our value chain and management team. Our carbon black oil procurement strategy entails global sourcing of carbon black oil, using unique optimization tools, risk management and arbitrage techniques to maximize value.

As part of our procurement and production strategy, we use a proprietary, state-of-the-art software tool, known as the CB Optimiser. This tool is used for the assessment of quality, cost dynamics and relevant properties of different feedstock grades, all of which have different carbon black yields. By understanding the properties of the feedstock, we are able to optimize production margins by using the most appropriate feedstock and producing location. Along with research and development testing methods, this leads to optimum margins and compliance with emission restrictions. In addition, we have a quality-adjusted cost system in place which assesses the cost of the carbon black oil based both on the absolute delivered price paid and other characteristics, such as water content, yield, demurrage costs and payment terms. This cost system allows correct assessment of the true economic cost of the different carbon black oil grades, which leads to improved decision-making and cost optimization.

We maintain close relationships with our suppliers, which include global and national oil companies, as well as independent refiners and blenders across different regions. We purchase carbon black oil from more than 50 different suppliers to limit our dependence on individual suppliers. Since the carbon black industry utilizes only a low share of total heavy fuel oil supply worldwide, we believe that the risk of raw material shortage is low. In regions where the number of suppliers is low, we have back-up plans to import carbon black oil from other regions in the event of a local carbon black oil shortage.

We purchase approximately half of our carbon black oil supply in the spot market and the other half through a mix of short- and long-term contracts with a wide variety of suppliers. Almost all of our purchases have pricing terms that fluctuate with underlying heavy fuel oil indices which correlate with crude oil prices (94% in terms of volume for the Last Twelve Months). In turn, the majority of our product sales provide for the pass-through of these raw materials cost fluctuations to customers. See *"—Marketing, Sales and Customer Contracts—Flexible Contracts and Hedging"*.

The pricing of carbon black oil is linked to the price of heavy fuel oil and is generally benchmarked against Platts indices of mainly three regions, namely the U.S. Gulf Coast, Rotterdam and Singapore. The ultimate carbon black oil price also depends on carbon black oil specific quality characteristics, differentials (premiums or discounts), freight costs and region specific supply and demand. Carbon black oil procurement is an important factor in achieving best in-class production costs.

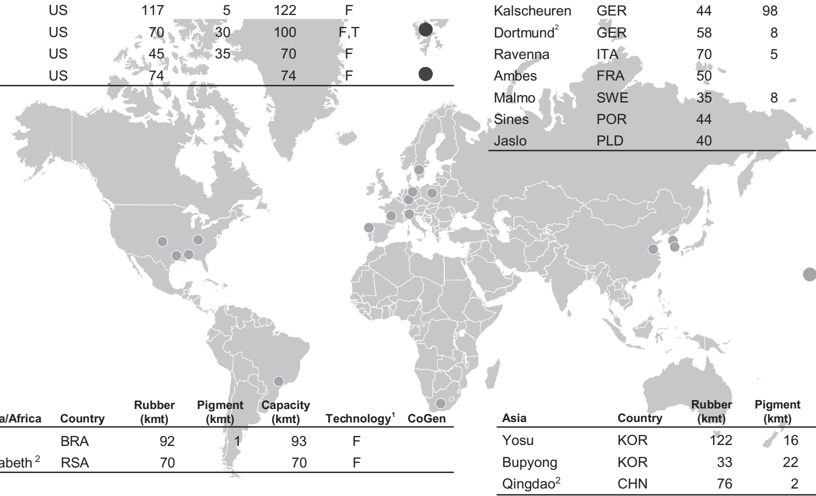
The majority of raw materials are transported by vessel, which is the most cost-effective method. Certain land-locked plants, such as Borger (Texas), Kalscheuren (Germany) and Jaslo (Poland), are supplied exclusively by trucks or rail.

Production

Production Facilities

We operate a global platform of 13 wholly owned plants (one in Germany, four in the United States, two in South Korea, and one each in Brazil, Poland, Italy, France, Portugal and Sweden) and three jointly but majority owned production plants (one each in Germany, South Africa and China). Our state-of-the-art manufacturing facilities worldwide allow us to produce consistent, high-quality products for our customers in each operating region. All our production plants are ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) qualified. Our annual production capacity totaled 1,279.8 kmt as of March 31, 2011, of which 459.8 kmt was in Europe, 386.0 kmt in North America, 193.0 kmt in South Korea, 93.0 kmt in Brazil, 78.0 kmt in China and 70.0 kmt in South Africa.

The following table provides an overview of the geographical footprint of our production network as of March 31, 2011.



NAFTA	Country	Rubber (kmt)	Pigment (kmt)	Capacity (kmt)	Technology[1]	CoGen
Ivanhoe	US	117	5	122	F	
Borger	US	70	30	100	F,T	●
Belpre	US	45	35	70	F	
Orange	US	74		74	F	●

Europe	Country	Rubber (kmt)	Pigment (kmt)	Capacity (kmt)	Technology[1]	CoGen
Kalscheuren	GER	44	98	142	F,L,G	●
Dortmund[2]	GER	58	8	66	F,G	●
Ravenna	ITA	70	5	75	F	●
Ambes	FRA	50		50	F	
Malmo	SWE	35	8	43	F	●
Sines	POR	44		44	F	
Jaslo	PLD	40		40	F	●

S. America/Africa	Country	Rubber (kmt)	Pigment (kmt)	Capacity (kmt)	Technology[1]	CoGen
Paulinia	BRA	92	1	93	F	
Port Elizabeth[2]	RSA	70		70	F	

Asia	Country	Rubber (kmt)	Pigment (kmt)	Capacity (kmt)	Technology[1]	CoGen
Yosu	KOR	122	16	138	F	●
Bupyong	KOR	33	22	55	F	●
Qingdao[2]	CHN	76	2	78	F	●

(1) F: Furnace Black; T: Thermal Black; L: Lamp Black; and G: Gas Black.

(2) Qingdao (the China JV): Evonik Carbon Black 52%; JFIC (Jiaozhou Finance Investment Center) 33%; and DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH) 15%. Port Elizabeth (the South African JV): Evonik Carbon Black 80%; and IDC (Industrial Development Corp) 20%. Dortmund (the German JV): Evonik Carbon Black 54.3%, but only 50% of voting rights; Continental 33.8%; Pirelli 7.0%; Goodyear 3.3%; and Vorwerk 1.6%.

Characteristics of Production Network

Production Know-how

We produce both pigment and rubber black at the majority of our production sites. We have the production know-how to manufacture a wide range of highly specialized pigment and rubber black products worldwide. We are currently the only supplier with core production competencies across all leading production processes (furnace black, gas black, lamp black and thermal black). This provides us flexibility to offer a wide range of pigment and rubber black products that are best suited to customers' needs.

Flexible Pigment and Rubber Black Production Platform

Our existing production platform enables us to convert production lines from tire black to mechanical rubber goods and pigment black to meet changing industry dynamics with often only minor investment. We have made recent investments in strategic sites to increase the flexibility of our production platform. For example, we have migrated production lines from rubber black to pigment black at our Malmö (Sweden) and Belpre (Ohio) plants. We have upgraded our rubber black production lines for mechanical rubber goods in South Korea and Italy and are in the process of installing a "swing production line" in China, which will allow us to easily shift production capacity between rubber black for tires and mechanical rubber goods. The production platform also enables us to share resources between production lines, such as carbon black oil sourcing, global carbon black research and development, applied technology, carbon black engineering, spare part management and shared intellectual property.

Over the last 10 years, we have gone through selected gradual capacity realignment initiatives aimed at meeting changing industry dynamics and increasing profitability. While such capacity realignments have entailed additional capital expenditure, they have contributed to improving our profitability profile. We have successfully moved the pigment and rubber black product portfolio up the value chain and increased our global higher margin product capacity.

Location of Production Network

Our production sites are strategically located throughout the world in close proximity to key customer sites. This is particularly important for our rubber black business, which is largely a regional business. Since pigment black's freight costs represent a smaller component of the final price (relative to rubber black), it is commercially viable to ship pigment black across geographic regions from our key production sites in Germany, South Korea and the United States. Our production network also offers access to high-growth regions globally. For example, in addition to existing capacity in China, we use part of our European, South Korean and North American pigment manufacturing capacity for sales in China.

Flexibility of Asset Base

We have implemented a flexible and intelligent production and supply chain network under the concept of operating all regional production sites as one large virtual plant. This allows us to shift production of pigment and rubber black products between different plants in order to optimize costs and plant utilization. In most cases, more than one plant is approved for specific products, which not only increases production flexibility but also ensures a higher supply security for customers. This will be supported by a sophisticated supply chain management system, which has already been implemented in the United States and will be rolled out worldwide in the remainder of 2011.

Cost Improvements

We have implemented various initiatives to realize cost improvements throughout our production network, including:

- *Efficiency improvements*. First-class reactor and pre-heater designs are being implemented throughout our production network.
- *Co-generation*. The main by-product of the carbon black production process is a combustible exhaust gas that can be used for the generation of electricity, steam and hot water, a process which is known as *"co-generation"*. In recent years we have increased our co-generation capabilities, and currently ten manufacturing sites have some form of co-generation, with analyses underway to expand co-generation to more locations.
- *Productivity improvements*. Savings have been realized with the implementation of self-directed work teams and other approaches to improve productivity. Employee bonus levels are based on the achievement of predetermined objectives, including individual and departmental targets. Headcount reductions have also contributed to reducing fixed costs.

Application Technology and Research and Development

We enjoy a long-standing reputation within the carbon black industry for applications knowledge, technical expertise and innovation. The high versatility of carbon black applications and the need to meet specific performance requirements across many industries create significant opportunities for product and process innovation. The final properties of the carbon black product depend on the mixture of raw materials used and to a large extent on the configuration and operating conditions of the specific reactor and the treatment of the initial product in beading, drying and after-treatment steps. Minimal changes to just one of the many process parameters can result in completely different carbon black particles with different properties and potential end uses. Hence, further product innovations are a key competitive factor in the industry, even after decades of research and development in this field.

We maintain separate application technology and research and development centers for carbon black product and process development. Our sophisticated application technology and research and development teams work closely with our major clients to develop innovative products and applications, while strengthening customer relationships and improving communication flow. This provides us with a deep understanding of customer and industry requirements and a better outlook on production challenges. The main technical centers are located in Kalscheuren (Germany) and Hanau (Germany), where physicists, chemists and engineers analyze various carbon black properties to develop new products to meet customer requirements. Additional regional centers are located in South Korea, China and the United States, which employed a combined pool of more than 120 FTEs in research and development and application technology in 2010.

Spending for research and development and application technology is currently approximately €20.0 million per annum and is mostly directed towards the development of pigment black and the improvement of process efficiencies. We believe that this level of research and development and application technology is among the highest in the industry.

Application Technology

We aim to remain at the forefront of the industry in terms of product development by having designated application technology facilities. This is often achieved by close collaboration with customers through long-term research and development alliances and superior technical interface with customers. This allows us to develop tailored solutions and meet unique customer requirements.

The application technology department employed approximately 70 FTEs globally in 2010. The application technology department can be subdivided into (i) pigment black, with the vast majority of employees in Hanau (Germany) and some employees in the United States and Asia, and (ii) rubber black, with most employees in Kalscheuren (Germany) in 2010.

Our application technology teams serve as the interface with the clients and analyze various industry trends. The teams are responsible for understanding customer needs and industry requirements and translating these into new product profiles. The teams study correlations between analytical parameters and the application performance of finished products. Quality management is also covered by our application technology unit. The teams play a support role in the event of a new product launch by giving technical presentations at conferences and introducing new products to customers. Our state-of-the-art facilities and labs are well recognized by customers.

Centralized test programs have been set up in order to monitor product performance in pigment and rubber black on a global scale. In addition, technical service engineers offer support in all questions related to the product range, quality features and most beneficial application of the products. Our application technology department publishes technical data sheets, product applications and comprehensive technical reports. Additionally, a seminar dedicated to young engineers from selected customers is a recognized supplier event in the rubber industry.

Research and Development

We believe our integrated research and development function represents a key competitive advantage. Our level of product customization and integrated research and development incentivizes our customers to maintain their business with us. In addition, the qualification and approval processes in many of the carbon black end-market applications, occasionally extending more than one year, can result in inefficiencies when switching suppliers.

The research and development department employed approximately 50 FTEs globally, most of whom were located in Kalscheuren (Germany) in 2010. Research and development efforts focus on three main areas, namely (i) process development, focused on improving efficiency and optimization of raw materials use, (ii) pigment black product development and (iii) rubber black product development.

Pilot Plants

We operate special “pilot plants”, which are testing facilities used for real-world trials of new carbon black grades, feedstocks and production processes. We operate two pilot plants at the Kalscheuren site in Germany, with the main pilot plant being a commercial sized furnace reactor line on a 15% scale of a full production furnace line. The modular reactor set-up is the basis for research and development flexibility. The plant is also used for the small-scale production and sale of carbon black grades that are in their initial stage of marketing. This ensures optimal utilization of the pilot plant facility. We also have a smaller gas-black pilot plant in Kalscheuren, which further enhances our flexibility in conducting gas black product research.

Mini-Plants and Simulations Centers

Our research and development focus is supplemented by the operation of “mini-plants” in Kalscheuren and know-how of process simulation technologies. The mini-plants include a smaller furnace reactor for basic studies as well as various facilities for chemical after-treatment, granulation and drying to tailor new products to specific customer requirements, especially in the pigment area. The research and development department also offers world-class expertise in process simulation, allowing for rapid and cost-efficient data analysis prior to undertaking costly experiments or full-scale production development.

Product and Process Innovation

Our intellectual capital and commitment to research and development and innovation is recognized by our customers. We are a preferred research and development partner for a number of our top customers. We also have advanced production processes that are the basis for product innovation. For example, the pigment black product line developed a clean and highly dispersible carbon black for use in high-voltage power cables in response to industry requirements for increased efficiency. The rubber black product line developed a carbon black with unique particle characteristics that reduce the rolling resistance in tires, which in turn reduces fuel consumption and CO_2 emissions.

Marketing, Sales and Customer Contracts

We have an integrated marketing strategy that combines sales, key account management, regional and segment marketing and application technology. This allows us to focus on customer solutions irrespective of industry regions or segments. The sales and marketing departments employed approximately 150 FTEs globally in 2010. An additional 53 FTEs of Evonik's worldwide carbon black sales force were employed by other legal entities of Evonik in 2010 and are expected to be transferred to our business following completion of the Acquisition.

Sales

Our sales department is organized into two main groups: key account management and sales. The key account management team deals with the largest customers (approximately 46 key accounts) and has dedicated sales people per account. The sales team covers smaller customers (approximately 2,000 customers), with several regionally based sales people and agents responsible for the coverage of a large number of accounts. In addition to selling carbon black directly, we work with third-party distributors who conduct sales on our behalf.

The sales department operates on a localized basis, with dedicated key account management and sales people in the different operating regions. In larger regions, such as Europe (approximately 500 customers), North America (approximately 250 customers) and Asia (approximately 750 customers), the key account management and sales teams are functionally split between tires, mechanical rubber goods and pigments, with pigments further organized by coatings, plastics and printing inks. To ensure customer requirements are better understood, key account calls are regularly accompanied by personnel with the appropriate technical expertise, as well as with higher levels of management. In smaller regions, such as Brazil and South Africa, sales people tend to work across the different carbon black product lines often covering rubber and pigment black together.

Marketing

Marketing is organized into two main groups: strategic marketing and segment marketing. The strategic marketing team works on business development and other investment projects, budgeting, business analysis, pricing and marketing strategy. This unit works across all product groups to ensure consistency and optimum use of production assets. The segment marketing teams direct the sales and applied technology effort by focusing on new market opportunities, pricing and negotiations, supply chain support, new product launches and overall customer interface management.

Flexible Contracts and Hedging

We have a proactive price and contract management strategy, which supports our efforts to preserve margins via pass-through of feedstock cost increases to customers on a timely basis. We sell carbon black under the following three main pricing mechanisms:

- *Contracts with monthly feedstock adjustment (34% of estimated 2011 sales volume)*. This category includes contracts with monthly automatic feedstock adjustments. Carbon black prices track prices of carbon black oil purchases one-to-one and therefore no hedging is necessary.

- *Contracts with quarterly feedstock adjustment (35% of estimated 2011 sales volume)*. This category includes contracts with quarterly automatic feedstock adjustments. Carbon black oil pricing risk exists due to differences in timing of carbon black sales. We currently hedge against the time-lag exposure between contract price adjustments.
- *Non-indexed contracts (31% of estimated 2011 sales volume)*. This category includes short-term contracts (usually shorter than three months) where carbon black sales do not track carbon black oil purchases in price. The current competitive environment allows in-time price adjustments.

A significant proportion of our contracts has formula-driven price adjustment mechanisms for changes in raw material costs (79% in tires, 67% in mechanical rubber goods and 27% in pigments based on estimated sales volumes for 2011). These contracts allow us to pass through changes in raw material costs to customers typically within three months. This supports our efforts to maintain margins in most volatile raw material pricing environments. Recently, we have shifted a significant number of contracts from quarterly price adjustments to monthly price adjustments to improve the speed at which we pass through raw material cost changes to further stabilize our margins. As a result, the percentage of contracts with monthly price adjustments has more than doubled in the past three years based on volume. For our contracts with quarterly price adjustments, the impact of oil price fluctuations is typically passed on to customers within three months, which results in windfall gains and losses in times of highly volatile oil price developments. To protect our business against significant oil price volatility, we have been implementing supplemental hedging activities to mitigate the effects of windfall losses. We currently hedge against the time-lag exposure between contract price adjustments, rather than the oil price itself. The hedging strategy initiated in January 2010 is aimed at hedging up to 50% of the volume of our contracts with quarterly price adjustments once it has been fully implemented in 2012. We currently have already implemented approximately 20% of this target. Moreover, we continue to shift contracts from quarterly price adjustments to monthly price adjustments to reduce the need for hedging. Our hedging strategy is strictly focused on systematic hedging and avoids any oil price speculation. We also have a significant share of short-term non-indexed contracts (21% in tires, 33% in mechanical rubber goods and 73% in pigments based on estimated sales volumes for 2011), the majority of which we are generally able to reprice frequently, typically on a quarterly basis. Pigment contracts are mostly short-term and non-indexed, reflecting a price structure that is more driven by value in use rather than production costs. This allows us to renegotiate these contracts more frequently, which we believe generally favors the pricing of our customized pigment black products for niche applications. The following table provides an overview of the contract types used in our tires, mechanical rubber goods and pigments businesses based on estimated sales volumes for 2011.

Contract Type	Tires	Mechanical Rubber Goods	Pigments
Contracts with monthly feedstock adjustment	39%	39%	4%
Contracts with quarterly feedstock adjustment	39%	27%	23%
Non-indexed contracts	21%	33%	73%

Outbound Logistics and Distribution

Our outbound logistics and distribution function has critical importance given the high cost involved in the transportation of carbon black, in particular rubber black. The cost of transportation represented approximately 10% of the total carbon black cost to consumers and is the second biggest single cost category after the cost of raw materials, which represented approximately 70% in Fiscal Year 2010.

Our various global operations each have different logistics demands based on the products manufactured and the region's export requirements. Unlike rubber black, which require regional sourcing, pigment black tends to be sold on a more global basis, since freight costs typically represent a smaller component of the final price. Consequently, regions such as Europe, which export high volumes of pigments, have complex and demanding logistics requirements. Other regions, such as South Korea, China, South Africa and Brazil, are relatively self-contained with the vast majority of production sold within their own borders. Production in North America is also sold primarily within the region with only limited export.

The primary method of transporting carbon black to customers is by truck and rail. The majority of the regions use primarily trucks, with the exception of the United States, where rail transport accounts for approximately half of transportation modes. We lease our trucks and the majority of rail cars and have a variety of third-party agreements with railroad and trucking companies for the management of vehicles.

In Europe, transportation costs are usually borne by us and are included in the final price. In the United States, carbon black is delivered on a Free-On-Board (FOB) basis, while in other regions, such as Brazil and South Africa, the bearer of the transport cost will depend on the contract structure, whereby the product is either supplied on a Free-On-Board (FOB), Ex-Works or Carriage-Paid-To (CPT) basis.

We aim to minimize the costs of transportation for our customers through a state-of-the-art supply chain software tool called Picaso. Picaso has been utilized in the United States for the last six years and is expected to be rolled out throughout our business in Europe in 2011, and in Asia thereafter. This supply chain tool will assist in supply chain and inventory strategies globally while providing guidelines for the day-to-day business. The tool is also expected to enhance our sales and operations planning process by providing improved demand, inventory management information and forecasting, as well as optimized production planning and sourcing.

Carbon black is packaged and sold in three main methods: bulk (on average 20 ton packages for trucks and 100 ton packages for rail), flexible intermediate bulk containers (on average 0.5-1 ton packages) and small bags (on average 10-20 kg packages). We choose a packaging method based on cost considerations and client preferences. In 2010, we estimate that 45% of our sales volume was delivered in bulk, 35% in intermediate bulk containers and 20% in bags.

Intellectual Property

We maintain patents and trademarks on a number of our products and processes. However, we often do not patent a production method or product to avoid disclosure of business specific know-how. We make careful assessments with respect to production process improvements and decide whether to apply for patents or retain and protect them as trade secrets. When we file a patent application, the patent application is usually filed for all countries where we believe that there is active competition and where we have existing customers. In addition to patents, a significant part of our intellectual property are our trade secrets, general know-how and experience regarding the manufacturing technology, plant operation and quality management.

We rely on intellectual property laws, confidentiality procedures and contractual provisions to protect our intellectual property rights. We regard our patents, trade secrets and other intellectual property as valuable assets and take action when we deem it necessary to protect them.

In connection with the Separation, Evonik retained ownership of intellectual property used in and material to our carbon black business that was also used in the retained businesses of Evonik and assigned to us intellectual property that was exclusively used in the carbon black business. Evonik has granted to us a non-exclusive license to use and exploit retained intellectual property used in our business solely in the field of carbon black. In addition, we have granted-back to Evonik exclusive licenses relating to some of our intellectual property rights to exploit such intellectual property in all fields outside of carbon black. Accordingly, we would not be authorized to leverage the intellectual property that we use on the basis of a license from Evonik or the intellectual property that is subject to the back license to expand our business into fields outside of carbon black. In addition, Evonik could exploit, and could allow third parties, including our competitors, to exploit, their retained intellectual property in the carbon black field. Further, we have granted-back to Evonik a license relating to our intellectual property for the purpose of making and selling a product based on a defined process which includes the use of carbon black as raw material, provided that Evonik may purchase this carbon black from us or manufacture it itself. This grant-back license also includes the right of Evonik to sublicense our carbon black intellectual property to third party manufacturers, enabling Evonik to outsource manufacturing of its requirements to third parties, which may include our competitors.

In the Acquisition Agreements, German Bidco has agreed with Evonik Degussa to negotiate in good faith certain amendments of terms of the Separation to address the risks and restrictions described above. However, there can be no assurance as to the outcome of these negotiations.

Should we not agree on amendments satisfactory to us and any of the risks described above materialize, our business, financial condition, results of operation and cash flows could be adversely affected.

Employees

Overview

As of December 31, 2010, we employed approximately 1,805 FTEs, including persons employed by our joint ventures. An additional 53 FTEs of Evonik's worldwide carbon black sales force were employed by other legal entities of Evonik as of December 31, 2010 and are expected to be transferred to our business following completion of the Acquisition. The table below shows our number of FTEs by activity as well as per country as of the end of the periods indicated.

Workforce	As of December 31,		
	2008	2009	2010
By Activity			
Production	1,481	1,417	1,400
Sales and marketing	195	178	151
General and administration	219	212	196
Research and development	62	62	57
Total	**1,957**	**1,870**	**1,805**
By Country			
Germany	735	708	686
The rest of Europe	390	376	333
United States	289	271	291
South Korea	192	190	190
China	211	190	187
South Africa	85	80	77
Brazil	55	55	41
Total	**1,957**	**1,870**	**1,805**

Following rationalization, efficiency and streamlining programs, headcount has been significantly reduced since 2007. The rationalization and efficiency measures mostly targeted administrative functions in Germany, China and South Africa. Additionally, we actively streamlined the manufacturing footprint by closing facilities in North America and Europe. In 2008, we closed our plant in Aransas Pass (Texas) and a rubber black unit in Belpre (Ohio), which was subsequently restarted as a pigment unit. In addition, the technical center in Akron (Ohio) was closed in 2009. Its activities are now consolidated in Piscataway (New Jersey) and Kalscheuren (Germany). In 2010, we closed our Botlek (the Netherlands) facility.

Labor Relations

We actively manage our labor relations and place high importance on transparent dialogue, which we believe has resulted in good and constructive union relations. There have been no significant strikes or labor disruptions at any site since 2004 when strikes occurred at the Ambès (France) plant in connection with salary negotiations.

Our employees in Germany and certain other countries are represented by works councils in accordance with local law and practices, which provide works councils with participation and information rights. Certain of our employees are organized in trade unions. Membership of trade unions varies in accordance with the business area, local practice and country in which we operate. We have entered into collective bargaining agreements with trade unions either directly or as members of employer organizations. These agreements typically govern, among other things, terms and conditions of employment and reflect the prevailing practices in each country. We believe our relations with our employees are good and voluntary turnover has been low in recent years.

Salary, Benefits and Pension Scheme

Our employees receive a salary with a variable annual bonus component and participate in certain defined benefits and defined contribution pension schemes. Base salaries are generally adjusted on an annual basis, based on a comprehensive review of the employee's performance. Bonus levels are based on the achievement of predetermined objectives, including individual and departmental targets.

Upon completion of the Acquisition, we expect to put in place new pension plans and other post-employment benefits plans that will be comparable to the current pension plans and other post-employment benefits plans, with the exception of the current U.S. defined benefits plan, which we intend to replace with a U.S. defined contribution plan.

Insurance

We maintain insurance to cover risks associated with the ordinary operation of our business, including general liability, property damage and business interruption, environmental pollution liability and product liability insurance. We insure our plants against such hazards as fire, explosion, theft, flood, mischief and accidents. All of our policies are underwritten with reputable insurance providers, and we conduct periodic reviews of our insurance coverage, both in terms of coverage limits and deductibles. We believe that our insurance coverage is sufficient for the risks associated with our operations, but there can be no assurance that we will not incur casualty losses in excess of our current coverage.

Our insurance coverage has historically been taken out by Evonik on our behalf. As of the Completion Date, we expect to put in place new insurance policies comparable to those currently in place as well as additional insurance to expand our coverage. We expect to incur additional costs for insurance due to the smaller stand-alone scale of our business following the Acquisition and the expansion of our coverage. There can be no assurance that new policies will be entered into on acceptable terms or at all.

Our current insurance coverage provides coverage on a “claims made” or “occurrence reported” basis. Therefore, if an event for which we would be covered under our current insurance policies occurs prior to the completion of the Acquisition, but we are not able to make a claim until after the Completion Date, it is possible that such event would not be covered by either our current insurance coverage or the insurance coverage that we expect to put in place. We are currently negotiating to purchase “run-off” insurance policies to cover any potential gap in coverage, but there can be no assurances that we will be able to purchase such run-off policies at terms acceptable to us or at all.

Environmental, Health and Safety Matters

We are subject to numerous supranational, national and local environmental and safety laws and regulations. We could incur significant costs, including fines, penalties and other sanctions, third-party claims and environmental cleanup costs, as a result of violations of or liabilities under environmental, health and safety laws and regulations or operational permits required thereunder. We believe that our operations are currently in substantial compliance with all applicable environmental, health and safety laws and regulations. These environmental, health and safety laws and regulations change frequently, however, as do the priorities of those who enforce them, and we could incur additional costs complying with future laws and regulations.

Environmental

Air Quality

One of the main environmental challenges of a carbon black plant is the management of tail gas from production processes. This exhaust gas contains a number of regulated pollutants, including carbon monoxide and sulfur compounds. The most common method for controlling these gases is through combustion, which produces useable energy as a by-product. Currently, ten manufacturing sites have the capability to beneficially utilize these gases through some form of energy co-generation, such as the sale or reuse of steam, gas or electricity. In addition, we are evaluating initiatives to build four additional co-generation facilities, one in each of Port Elizabeth (South Africa), Paulinia (Brazil), Ivanhoe (Louisiana) and Belpre (Ohio).

In plants where all tail gas is combusted, the primary air pollutants of concern include sulfur dioxide and nitrogen oxide. In order to maintain compliance with emission requirements for these compounds, we utilize feedstock with sulfur contents varying from 0.1% to a maximum of 4%, depending on state or country requirements. Nitrogen oxide emissions are generally controlled by efficient burner designs and, where required, by de-nitrification processes.

Particulate matter is also monitored, because carbon black is a fine dust. We control and minimize the emissions of carbon black dust via state-of-the-art bag filter technology.

Our facilities also emit significant volumes of CO_2. With respect to these CO_2 emissions, an obligatory trading system for CO_2 emission allowances affects carbon black manufacturers in the European Union. The European Union installed a trading scheme to limit CO_2 in 2005, and the allowances currently trade at approximately €15/ton CO_2, subject to significant fluctuations depending on market demand and reduced issuance of free allowances in future trading periods. Jurisdictions outside of the European Union can be expected to impose stricter CO_2 regulation in the future.

During 2008 and 2009, the EPA contacted major U.S. carbon black producers, requesting extensive information under Section 114 of the Clean Air Act, to determine, for each facility, that either: (i) the facility has been in compliance with the Clean Air Act; (ii) violations have occurred and enforcement action may be undertaken; or (iii) violations have occurred and a settlement is appropriate instead of enforcement action. Settlement offers may include penalties and an agreement to install additional emission controls. We have provided details of capital expenditures (dating back 20 years), plant improvements and changes in production capacities or emissions. Our Belpre (Ohio) facility responded in April 2009 to a Section 114 information request. In November 2010, our other U.S. facilities received similar requests for information. The Belpre (Ohio) plant received a Notice of Violation in June 2010 alleging violations of Clean Air Act permitting requirements, including New Source Review requirements, based on information we provided in response to the Section 114 request. We are in continuing discussions with the EPA while the information we have provided is under review. Under the terms of the Acquisition Agreements, Evonik retains a portion of the costs for future liabilities in connection with this matter and has provided a limited indemnity against certain fines and costs arising under the Clean Air Act.

Water Quality

Our plants are net consumers of water. Most of our plants recycle a substantial amount of the water used in the manufacturing process. The only water discharge from most plants is storm-water during and after heavy rain, but only under permitted conditions. For those plants that discharge water, the treatment generally is a settling pond system. Some facilities operate more advanced wastewater treatment systems, such as filtration and aeration systems incorporating chlorination or ozonation, depending on local requirements.

Non-hazardous Waste

Carbon black oil, the primary raw material used in the manufacturing process, are not generally considered hazardous wastes in the event of disposal. We generate hazardous waste in the form of spent solvents at our plant labs. In addition, coal tar distillates, a common raw material at some plants, are considered hazardous wastes if spilled or otherwise require disposal, as are certain refractories that contain hexavalent chromium, which are generated infrequently. Certain facilities have on-site landfills permitted for the current disposal of non-hazardous solid wastes. Historically, neither the design and operation of former landfill units at our facilities, nor the transport, storage and handling of raw materials were subject to the same level of environmental regulation or operational care as is currently the case.

International Carbon Black Association

We are a member of the International Carbon Black Association (the *"ICBA"*) which currently consists of representatives from carbon black manufacturers in Canada, Europe, the United States, South America, Asia and Africa. The ICBA seeks to address common environmental, health and safety issues, undertakes research on health implications of carbon black, and serves as the leading advocate for the industry in the regulatory and public-interest arenas. The ICBA conducts research on international environmental, health, product safety and workplace safety matters and is currently in the process of founding a regional subgroup covering Asia.

Health and Safety

The health and safety of our employees and customers is one of our highest priorities. New employees are given environmental, health and safety training and environmental, health and safety matters are tracked in regional databases. Employees are required to report and log incidents into the database. Plant managers are required to track and monitor these incidents and take action where appropriate. Data on these incidents is reviewed by senior management on a monthly basis. A strategic safety team provides for development, implementation and auditing of safety activities and promotes safety accountability by our personnel.

Carbon black is produced under controlled conditions and has very high purity levels. It therefore differs from other combustion products that may contain high concentrations of hazardous compounds. Due to its high purity, it is permitted for use in cosmetics or in products in contact with food. In 2007, carbon black was approved by the European Union as a UV stabilizing additive for plastic materials coming into contact with food (EU Directive 2007/19/EC) and was adopted in relevant national regulations in the European Union, as well as Switzerland, Brazil, China and Japan (in slightly amended form).

The International Agency for Research on Cancer (*"IARC"*) classifies carbon black as a Group 2B substance (known animal carcinogen, possible human carcinogen). We have communicated IARC's classification of carbon black to our customers and employees in accordance with all applicable regulatory requirements. The German MAK Commission, which uses a different rating system, classifies carbon black as a suspect carcinogen (Category 3B). Other national and international health organizations have not rated carbon black. Any risk reclassification of our raw materials, intermediates or finished product could result in increased operating costs or affect product lines or sales.

Regulatory Matters

We are subject to governmental regulation from national, European Union and other international regulatory authorities concerning, among other things, export and import quotas and other customs regulations; data protection; product safety; the health, safety and working conditions of our employees; and our competitive and marketplace conduct. We believe that we are in compliance in all material respects with these regulations. We cannot assure you, however, that any future changes in the requirements or mode of enforcement of these laws and regulations will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

Legal Proceedings

We become involved from time to time in various claims and lawsuits arising in the ordinary course of our business, such as employment related claims and asbestos litigation, against some of which we have limited indemnification from Evonik under the Acquisition Agreements. Some matters involve claims for large amounts of damages as well as other relief. We are currently not involved in any legal proceedings, which, either individually or in the aggregate, are expected to have a material adverse effect on our business, financial condition, results of operations or cash flows. We note, however, that the outcome of legal proceedings is extremely difficult to predict with certainty, and we offer no assurances in this regard.

MANAGEMENT

Management of the Issuer

The Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany, and was formed for purposes of facilitating the Acquisition and the Financing, including the issuance of the Notes. The Issuer is wholly owned by German Holdco, which is ultimately held and jointly controlled by the Principal Shareholders through their shareholdings and ability to appoint board members.

The Issuer currently has three managing directors. The managing directors are responsible for managing the Issuer in accordance with applicable laws, its articles of association (*Gesellschaftsvertrag*) and resolutions of the shareholders' meeting. The principal functions of management are to carry out the day-to-day business of the Issuer and to legally represent the Issuer in its dealings with third parties. In carrying out their duties, the managing directors must exercise the standard of care of a diligent businessman. Managing directors breaching their obligations are jointly and severally liable for the damage caused to the Issuer. The managing directors of the Issuer are Lucas Flynn (representative of the Rhône Investors), Claus von Hermann-Spürck (representative of the Triton Investors) and Charles Herlinger (chief financial officer designate of Evonik Carbon Black and joint representative of the Rhône Investors and the Triton Investors). It is anticipated that upon or shortly after the completion of the Acquisition, the current managing directors (except for Charles Herlinger) may be replaced by members of the key management of Evonik Carbon Black. The Issuer does not currently have a supervisory board. Upon completion of the Acquisition, however, a supervisory body will be put in place at the level of a direct or indirect shareholder of the Issuer through which the Principal Shareholders will be able to control their investment in the Issuer.

Management of Evonik Carbon Black

The following table sets forth information regarding the key management of Evonik Carbon Black upon completion of the Acquisition.

Name	Date of Birth	Title
Jack Clem	August 30, 1953	Chief Executive Officer
Charles Herlinger	November 15, 1955	Chief Financial Officer
Dirk Rechenbach	April 10, 1968	Vice President—Strategic Marketing
Karin Otto	February 17, 1959	Vice President—Pigments
Claudine Mollenkopf	November 9, 1966	Vice President—Mechanical Rubber Goods
Georg Hohn	October 3, 1962	Vice President—Tires
Marco Gruss	February 5, 1968	Vice President—Tires
Michael Hirschhäuser	April 7, 1963	Vice President—Tires
Klaus Hagenmüller	October 13, 1961	Vice President—Strategic Raw Materials and Supply Chain Management
Rudolf Schmitz	August 4, 1951	Vice President—Production and Technology
Bernhard Schwaiger	July 2, 1955	Vice President—Applied Technology Rubber Reinforcement
Mark Leigh	February 4, 1969	Vice President—North America
Dietmar Balschukat	September 25, 1954	Vice President—Asia

Jack Clem. Mr. Clem has been the chief executive officer of Evonik Carbon Black GmbH since July 2010 and has been the head of Evonik's global carbon black business since August 2009. He joined Degussa in 2001 and was responsible for Degussa's North American carbon black business. He has over 35 years of experience in the performance and specialty minerals and chemicals industry. Prior to joining Degussa, he held various senior management positions in North America and Europe at J.M. Huber Corporation and started his career in engineering and plant management at Occidental Chemical Corporation. Mr. Clem holds a master's degree in business administration from West Texas A&M University and a bachelor's degree in mechanical engineering from Texas Tech University.

Charles Herlinger. Mr. Herlinger has been the chief financial officer designate of Evonik Carbon Black GmbH since May 2011 and has been actively involved in the transition team. He has considerable experience from previous public and private chief financial officer positions. Most recently, he was chief financial officer of the Almatis Group, a leading worldwide manufacturer of specialty alumina based chemical products. Before then, he served as chief financial officer of Cable & Wireless plc., a London Stock Exchange listed public company. Mr. Herlinger started his career as audit manager with KPMG and spent over 15 years with Siemens in Germany and North America, where he progressed to chief financial officer of Siemens Corporation in North America. Mr. Herlinger holds a bachelor's degree in economics and is both a certified public accountant in the United States and a chartered accountant in the United Kingdom.

Dirk Rechenbach. Mr. Rechenbach has been our vice president of strategic marketing since July 2009 and joined Degussa in 1996. He has over 14 years of experience in the carbon black industry, including various positions at Evonik Degussa, such as director of strategic marketing tires and mechanical rubber goods and director of product management tires. He has been director of strategic planning, controlling and business development for carbon black for five years and started his career in research and development for pigment blacks as well as heading the process development for carbon black. Mr. Rechenbach holds a doctorate and master's degree in chemistry from the University of Dortmund.

Karin Otto. Ms. Otto has been our vice president of pigments since July 2010 and joined Degussa in 1988. She has over 23 years of experience in the chemicals industry, including various positions at Evonik Degussa in Germany and the United States, such as vice president and business director pigment black North America, vice president and head of pigments, and vice president and head of market segment polymer and ink solutions. Ms. Otto holds a doctorate in chemistry from Julius Maximilians University Würzburg.

Claudine Mollenkopf. Ms. Mollenkopf has been our vice president of mechanical rubber goods since August 2008 and joined Degussa in 1996. She has over 18 years of experience in the chemicals industry, including various positions at Evonik Degussa, such as head of sales Europe (aerosil and silanes). Ms. Mollenkopf holds a doctorate and engineering degree (EHICS) in Chemistry from the University Louis Pasteur.

Georg Hohn. Mr. Hohn has been our vice president of tires since July 2006 and joined Degussa in 1989. He has over 21 years of experience in the carbon black, energy (emission control) and automotive (emission control) industries, including various positions at Evonik Degussa in Germany and Asia, such as vice president of sales and global key account management. Mr. Hohn holds a master's degree in chemical engineering from the Technical University of Karlsruhe.

Marco Gruss. Mr. Gruss has been our vice president of tires since September 2007 and joined Degussa in 1986. He has over 24 years of experience in the chemical industry, including various positions at Evonik Degussa, such as director of market management and global key account management plastics and printing inks, and head of sales and back office Germany, Italy, Switzerland and Poland. Mr. Gruss completed two apprenticeships, as chemical lab analyst and business administration manager, under the German education system. He also completed the Global Account Manager Certification Program at Columbia Business School and University of St. Gallen.

Michael Hirschhäuser. Mr. Hirschhäuser has been our vice president of tires since August 2010 and joined Degussa in 1988. He has over 22 years of experience in the carbon black and chemicals industries, including various positions at Evonik Degussa in Europe and the United States, such as global key account manager, market segment manager and chief executive officer of Silquimica S.A. in Spain. Mr. Hirschhäuser holds a master's degree in business administration from Justus Liebig University Giessen.

Klaus Hagenmüller. Mr. Hagenmüller has been our vice president of strategic raw materials and supply chain management since July 2009 and joined Degussa in 1990. He has over 20 years of experience in the carbon black and chemicals industries, including various positions at Evonik Degussa in Europe, Asia and the United States, such as vice president of strategic sourcing and logistics and vice president and general manager of silicas and silanes in North America. He started his career as a consultant with Dornier Planungsberating GmbH. Mr. Hagenmüller holds a a master's degree in industrial engineering from the Technical University of Darmstadt.

Rudolf Schmitz. Mr. Schmitz has been our vice president of production and technology since March 2008 and joined Degussa in 1983. He has over 27 years of experience in the carbon black industry, including various positions at Evonik Degussa, such as head of laboratory, head of production and chief executive officer of Evonik Carbon Black Nederland B.V. in the Netherlands. Mr. Schmitz holds a doctorate in chemistry from the University of Bonn.

Bernhard Schwaiger. Mr. Schwaiger has been our vice president of applied technology rubber reinforcement since April 1997 when he joined Evonik. He has over 28 years of experience in the carbon black and rubber industries, including as director of research and development of retreading product development and director of sales for custom compounds, both at Gummiwerk Kraiburg in Austria. Mr. Schwaiger is a graduated engineer (*Dipl-Ing FH*) from the Technical College of Nuremberg.

Mark Leigh. Mr. Leigh has been our vice president of North America since March 2006 and joined Degussa in 1998. He has over 18 years of experience in the chemicals industry, including various positions at Evonik Degussa, such as vice president of marketing for specialty inorganics and regional sales manager in the United States. Mr. Leigh holds a bachelor's degree in chemistry from the University of Illinois and a master's degree in business administration from Kellogg Graduate School of Management at Northwestern University.

Dietmar Balschukat. Mr. Balschukat has been our vice president of Asia since January 2009 and joined Degussa in 1975. He has over 30 years of experience in the chemical industry, including various positions at Evonik Degussa in Germany and Asia, such as head of key account management, head of rubber additives and head of advanced sales. Mr. Balschukat holds a doctorate and master's degree in chemistry from the University of Bielefeld.

Executive Compensation

We have not yet designed an executive compensation program for the key management of Evonik Carbon Black upon completion of the Acquisition. We intend to design an executive compensation program with the objectives to:

- recruit and retain key leadership;
- link compensation to an executive's individual performance and our financial performance; and
- align the executives' compensation opportunities with our short-term and long-term financial objectives.

In furtherance of these objectives, we intend to design an executive compensation package that includes (i) fixed compensation in the form of base salary and benefits and (ii) variable compensation based on the executive's performance and our financial performance, in the form of annual cash bonus awards and, in some cases, equity incentive awards.

Base Salary. We intend to pay base salaries consistent with the scope of each executive's responsibilities and such that base salaries reflect the fixed compensation necessary to recruit key leadership.

Benefits. We intend to provide our executives with a benefits package in line with those of other companies in our sector and appropriate for the respective jurisdictions.

Annual Cash Bonus Awards. We expect that our executives will be eligible to receive incentive compensation in the form of annual cash bonuses, which we expect will be determined based on performance objectives established on a periodic basis.

Equity Incentive Awards. Upon completion of the Acquisition, we expect to adopt one or more equity incentive arrangements for directors, executives and other senior management employees. These arrangements will be designed to promote our interests by providing eligible persons with the opportunity to acquire a proprietary interest in us or one of our affiliates as an incentive for them to remain in our employment or service, as applicable. These arrangements may allow for the grant of profit sharing interests, restricted and phantom shares or other equity-based awards. We anticipate that a portion of the awards will vest based on the attainment of specified performance goals. Generally, if an award holder's employment is terminated, we expect that he or she will forfeit any unvested awards at the time of termination. The total percentage of equity to be reserved for issuance under the equity arrangements has not yet been determined. The final equity arrangements may contain terms that sometimes require us or one of our affiliates to purchase equity following a termination of employment.

PRINCIPAL SHAREHOLDERS

Upon completion of the Acquisition, the Rhône Investors and the Triton Investors will indirectly become the principal shareholders of Evonik Carbon Black through their ownership of Kinove Luxembourg Holdings 1 S.à r.l. ("*Luxco1*"). The Rhône Investors and the Triton Investors currently each hold 50% of the outstanding share capital of Luxco1, which indirectly holds all the outstanding shares of the Issuer. Upon completion of the Acquisition, the Issuer is expected to indirectly hold all the outstanding shares of the legal entities comprising Evonik Carbon Black, subject to certain exceptions as described under *"Presentation of Financial and Other Information"* and *"The Transactions"*. The Principal Shareholders expect to enter into certain advisory and management consulting agreements with Evonik Carbon Black upon completion of the Acquisition as set forth under *"Certain Relationships and Related Party Transactions"*. The managing directors of the Issuer who are affiliated with the Rhône Investors or Triton Investors may be deemed to beneficially own shares owned by entities affiliated with the Rhône Investors or Triton Investors, respectively. Each such individual disclaims beneficial ownership of any such share in which such individual does not have a pecuniary interest.

Shareholders Agreement Between the Rhône Investors and the Triton Investors

Pursuant to a shareholders agreement, the Rhône Investors and the Triton Investors will each have the right to nominate three members of the board of directors of Luxco1, each of whom will have one vote. All material corporate and management actions and decisions will be mutually agreed between the Rhône Investors and the Triton Investors unless they mutually agree to delegate certain actions and decisions to management. Certain matters, however, will always be subject to the approval of the board of directors, including any business plan, budget, refinancing, recapitalization, opening of new or abandoning of lines of business, changes in top management, issuance of equity, and merger and acquisition activities.

Rhône

Founded in 1996, Rhône focuses on private equity investments in market leading, cash flow generating businesses with pan-European or transatlantic presence and expansion prospects. Rhône's investment philosophy includes the development of strong, strategic partnerships with the companies in which it invests. Rhône currently has investments in a diversified portfolio of companies, and has had numerous successful experiences investing in the chemicals and related industries, as well as in corporate carve-outs. Rhône has offices in London, New York and Paris.

Triton

Triton is a leading private equity firm in the German-speaking and Nordic countries. Triton was formed in 1999 when its first fund was established and it has since established two more funds, with total assets under management currently in excess of €4.1 billion. Triton, through its investment expertise, industry experience, operational and specialist skills, local presence and international know-how, seeks to provide origination, investment and value-creation opportunities in accordance with its investment strategy to build better businesses. Triton has offices in Jersey, London, Frankfurt, Luxembourg and Stockholm.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Advisory and Management Consulting Services

Upon completion of the Acquisition, we expect to enter into an advisory agreement (the *"Advisory Agreement"*) with one or more advisors affiliated with the Rhône Investors and one or more of the Triton Investors (together, the *"Advisors"*) relating to certain advisory and support services the Advisors rendered to us in connection with the Acquisition. The Advisors will be entitled to charge us a one-time fee of €9.0 million for such services and receive out-of-pocket expenses incurred by them in connection therewith. The Advisory Agreement also contains customary exculpation and indemnification provisions in favor of the Advisors, their affiliates and certain of their related parties. The Advisors are affiliated with Rhône and Triton, respectively.

Upon completion of the Acquisition, we expect to enter into a management consulting and support agreement (the *"Consulting and Support Agreement"*) with one or more advisors affiliated with the Rhône Investors and one or more consulting and support providers nominated by the Triton Investors (together, the *"Consultants"*) pursuant to which the Consultants will provide us with certain management consulting and ongoing support services (relating to financing, operation improvement initiatives, acquisition initiatives, tax, legal and structuring) (the *"Management Services"*) until the date on which the Rhône Investors or Triton Investors, respectively, no longer hold, directly or indirectly, any equity securities in us or our successors. In consideration for rendering the Management Services, the Consultants will receive an annual fee of €3.0 million in equal quarterly installments of €750,000 as well as out-of-pocket expenses incurred by them in connection with the Management Services. The Consultants, or any other entity nominated by Rhône or Triton, may also receive additional compensation on a transaction-by-transaction basis. The Consulting and Support Agreement also contains customary exculpation and indemnification provisions in favor of the Consultants, their affiliates and certain of their related parties. The Consultants are affiliated with Rhône and Triton, respectively.

Rütgers Supply Agreements

Effective January 1, 2008, we entered into a supply agreement with Rütgers Basic Aromatics GmbH (*"Rütgers"*), which is majority owned by entities controlled by Triton, pursuant to which Rütgers supplies us with coal tar derived carbon black oil for a five-year term (the *"Rütgers-Evonik Supply Agreement"*). Pursuant to the Rütgers-Evonik Supply Agreement, we are required to purchase, and Rütgers is required to supply, a minimum amount of specified types of carbon black oil on an annual basis at fixed prices for the first three years of the term and at fixed prices plus an agreed-upon premium for the final two years of the term. In March 2011, we and Rütgers agreed upon the premiums for 2011 and 2012. The Rütgers-Evonik Supply Agreement will renew automatically for successive two-year terms if neither we nor Rütgers terminate the agreement by giving a twelve-month notice prior to the end of the term. As of March 31, 2011, we had paid Rütgers approximately €100.0 million under the Rütgers-Evonik Supply Agreement over the lifetime of the agreement.

The German JV and Rütgers have also entered into a supply agreement pursuant to which Rütgers supplies the German JV with coal tar derived carbon black oil (the *"Rütgers-German JV Supply Agreement"*). The Rütgers-German JV Supply Agreement is substantially similar to the Rütgers-Evonik Supply Agreement, in particular as regards its term and the pricing of the supply. As of March 31, 2011, the German JV had paid Rütgers €106.4 million under the Rütgers-German JV Supply Agreement since the agreement's inception.

Cost Allocation Agreement

On April 15, 2011, German Bidco entered into a cost allocation agreement with Rhône Capital III L.P., pursuant to which it will bear all fees, costs, expenses and charges incurred by, or to be incurred by, Rhône Capital III L.P. or any of its affiliates in connection with and for the purposes of the Acquisition. German Bidco's obligation includes, but is not limited to, any fees charged by legal, environmental, financial or other service providers in connection with and for the purposes of the Acquisition, travel expenses, out-of-pocket expenses and any applicable VAT. The Principal Shareholders have subsequently agreed that costs incurred by the Triton Investors in connection with the Acquisition shall also be borne by German Bidco.

DESCRIPTION OF OTHER INDEBTEDNESS

Set forth below is a summary of certain of our significant debt arrangements. The following summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Super Senior Revolving Credit Facility

On June 10, 2011, the Issuer, German Holdco and German Bidco entered into a super senior revolving credit facility agreement (the *"Revolving Credit Facility"*) with (among others) Barclays Capital (the investment banking division of Barclays Bank PLC), Goldman Sachs International and UBS Limited as arrangers, UBS Limited as agent and security agent, and a syndicate of banks as lenders.

The Issuer and German Bidco are the original borrowers and guarantors under the Revolving Credit Facility but it is anticipated that US Bidco will accede as an additional borrower prior to closing of the Acquisition. In addition, certain members of the group are guarantors under the Revolving Credit Facility, each guaranteeing, subject to certain limitations, the obligations of each borrower and each other guarantor. The Revolving Credit Facility will be secured by the assets of the borrowers and the guarantors as described under *"—Guarantees"* and *"—Security"*.

The following description is a summary of certain provisions, among others, that are contained in the Revolving Credit Facility. It does not restate the Revolving Credit Facility in its entirety and is qualified by the full text of the Revolving Credit Facility.

Structure

The Revolving Credit Facility provides for a multicurrency revolving credit facility of up to $250.0 million. Subject to the terms of the Revolving Credit Facility, the lenders may make their commitments under the Revolving Credit Facility available by way of an ancillary facility.

If the acquisition of the South African JV does not occur on or before the Completion Date, the total capacity under the Revolving Credit Facility will be reduced from $250.0 million to $235.0 million until the consummation of such acquisition; *provided, however,* that if the acquisition of the South African JV does not occur on or before December 31, 2011, the total capacity under the Revolving Credit Facility will be permanently reduced to $235.0 million.

Purpose

The Revolving Credit Facility will be available to the Issuer, German Bidco and certain other subsidiaries that become borrowers under the Revolving Credit Facility for general corporate and working capital purposes. The Revolving Credit Facility will also be available to finance part of the Acquisition on the Completion Date (to the extent not constituting a Financial Assistance Purpose (as defined in the Revolving Credit Facility). The actual amount of the Revolving Credit Facility that will be drawn down on the Completion Date depends on a number of factors, including our working capital position on the Completion Date. We currently expect that the Revolving Credit Facility will not be drawn as of the Completion Date, but that we will have letters of credit outstanding under the Revolving Credit Facility. Following the Completion Date, borrowings under the Revolving Credit Facility may be used for the purpose of financing the general corporate and working capital purposes of the group, but not towards (i) any "Permitted Acquisition" (as defined in the Revolving Credit Facility) nor for the refinancing of a Permitted Acquisition, other than the Acquisition, (ii) any "Financial Assistance Purpose" (as defined in the Revolving Credit Facility), (iii) the repayment or repurchase of the Notes and/or other senior secured indebtedness (iv) the payment of any coupon on the senior secured indebtedness, or (v) any expenditure which is treated as capital expenditure in accordance with the accounting principles.

Interest and Fees

Loans under the Revolving Credit Facility bear interest at rates per annum equal to LIBOR (or, in relation to any loan in euro, EURIBOR) plus a margin of 4% per annum and certain mandatory costs, but if:

(a) no event of default under the Revolving Credit Facility has occurred and is continuing;

(b) a period of at least 12 Months has expired since the first utilization of the Revolving Credit Facility; and

(c) the leverage ratio in respect of the most recently completed rolling twelve-month period is within a range set out below,

then the margin for each Loan will be the percentage per annum set out below opposite that range:

Leverage ratio	**Margin % per annum**
Greater than or equal to 3.25:1	4.00
Less than 3.25:1 but greater than or equal to 3.00:1	3.50
Less than 3.00:1	3.00

Interest on overdue amounts under the Revolving Credit Facility shall be immediately payable on demand of the agent at a rate which is 1% higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a loan under the Revolving Credit Facility in the currency of the overdue amount for successive interest periods, each of a duration selected by the agent.

A commitment fee is also payable to the agent (for the account of each of the Revolving Credit Facility lenders) on available but unused commitments under the Revolving Credit Facility at a rate equal to 40% of the applicable margin on each such lender's available commitment for the period commencing on the closing date and ending on the last day of the availability period.

A ticking fee is also payable to the agent (for the account of each of the Revolving Credit Facility lenders) on the Closing Date, at a rate per annum equal to (i) 1% on each lender's available commitment for the period commencing on and including July 1, 2011 and ending July 30, 2011; and (ii) 40% of the Margin on each lender's available commitment under the Revolving Credit Facility for the period commencing on and including July 31, 2011 and ending on the Completion Date.

Guarantees

The Revolving Credit Facility will be guaranteed irrevocably and unconditionally on a joint and several basis, subject to certain limitations, by each of the Issuer, Luxco2, German Holdco, German Bidco and certain subsidiaries of German Bidco. The Revolving Credit Facility requires German Holdco to ensure (subject to agreed Security Principles) that each material company (a material company is either an obligor, a holding company of an obligor or a company which has at least 5% of the consolidated EBITDA or at least 5% of the gross assets of the group as a whole) becomes a guarantor. Furthermore, German Holdco must ensure that at all times after the date which is 45 days after the closing date, there is a guarantor coverage of (a) 85% of the consolidated EBITDA of the group; and (b) 80% of the consolidated gross assets of the group; and (c) 80% of the consolidated turnover of the group.

Security

The Issuer and each Guarantor will, where possible in accordance with local law and subject to the terms of the Revolving Credit Facility, give full asset security over all of its assets to secure the obligations of each borrower and guarantor under the Revolving Credit Facility. The holders of the Notes will also benefit from a similar guarantee and security package to the greatest extent possible in accordance with local law. The agent under the Revolving Credit Facility, the hedge counterparties and the Trustee of the Notes will be party to the Intercreditor Agreement (see *"—Intercreditor Agreement"*).

Financial Covenant

In addition to the general covenants described under *"—Covenants"*, the Revolving Credit Facility contains a financial covenant requiring German Holdco and its subsidiaries not to exceed a leverage ratio of consolidated net debt to consolidated EBITDA as set out below:

Relevant Period (ending)	Maximum Leverage Ratio
December 31, 2011	6.70:1
March 31, 2012	6.60:1
June 30, 2012	6.55:1
September 30, 2012	6.45:1
December 31, 2012	6.35:1
March 31, 2013	6.25:1
June 30, 2013	6.15:1
September 30, 2013	6.00:1
December 31, 2013	5.90:1
March 31, 2014	5.80:1
June 30, 2014	5.65:1
September 30, 2014	5.55:1
December 31, 2014	5.40:1
March 31, 2015	5.30:1
June 30, 2015	5.20:1
September 30, 2015	5.10:1
December 31, 2015	5.00:1
March 31, 2016	4.90:1
June 30, 2016	4.75:1
September 30, 2016	4.65:1
December 31, 2016	4.55:1
March 31, 2017	4.45:1
June 30, 2017	4.35:1
September 30, 2017	4.20:1

The financial covenant set out above shall be tested but shall not need to be satisfied if there are no utilizations (other than letters of credit to the extent that cash cover in respect thereof has been provided) outstanding at 5:00 p.m. on the last day of the applicable relevant period.

To the extent there is a breach of the financial covenant, German Holdco may elect to use the net amounts received in cash by way of new equity or a new shareholder loan to remedy the breach of the financial covenant. The amount of any new equity or new shareholder loan shall be applied to reduce net debt. The right to cure such a breach may not be used more than three times over the life of the Revolving Credit Facility and not in consecutive testing periods.

Representations

The Revolving Credit Facility includes representations typical for a facility of this type, which include, amongst others, valid power and authority to enter into the agreement, no default under the Revolving Credit Facility, compliance with applicable laws, no misleading information and good title to assets.

Covenants

The Revolving Credit Facility contains customary affirmative and negative covenants, subject to certain agreed exceptions, including the financial covenant described under *"—Financial Covenant"* above, and covenants restricting the ability of each borrower and each guarantor (and where expressly provided, the subsidiaries of such borrowers or guarantors) to, among other things:

- merge or consolidate with other companies;
- make a substantial change to the nature of its business (or, in the case of a holding company, carry on any activities other than permitted holding company activities);
- create security interests over its assets;
- make loans or otherwise extend credit to others;
- incur indebtedness or issue guarantees;
- change its center of main interest;
- allow non-obligors to hold amounts of cash beyond their needs for the next 12 months;
- sell, lease, transfer or dispose of assets;

- pay dividends, redeem share capital or redeem or reduce subordinated indebtedness;
- make acquisitions or investments;
- issue shares;
- enter into arrangements or agreement that are intended to restrict the movement of cash between members of the group;
- enter into treasury transactions;
- enter into joint venture transactions;
- enter into transactions other than at arm's length;
- make any Senior Secured Repurchase (as defined in the Revolving Credit Facility);
- violate UN or EU sanctions;
- breach US margin regulations; and
- segregate its assets for the purposes of Italian law.

The Revolving Credit Facility also requires each borrower and each guarantor (and in many cases, the subsidiaries of such borrowers or guarantors) to observe certain affirmative covenants, subject to certain exceptions and including, but not limited to, covenants relating to:

- maintenance of relevant authorizations;
- compliance with laws, including environmental laws and regulations;
- payment of taxes;
- ensuring that its obligations under the Revolving Credit Facility rank at least *pari passu* with the claims of unsecured and unsubordinated creditors;
- preservation and enforcement of rights under the acquisition documents and the equity documents;
- maintenance of insurance;
- maintenance of pension schemes;
- allowing the agent and/or the security agent and/or accountants or other professional advisors access to certain of the records of personnel of the group at certain times and for certain purposes;
- maintenance of intellectual property rights;
- maintaining appropriate auditors, proper books of accounts and not changing the financial year of any member of the group other than in limited circumstances;
- maintenance of bank accounts with an acceptable bank;
- provision of financial and other information to the lenders; and
- completion of conditions subsequent and further assurances obligations.

The restrictions on security and indebtedness will (save for certain agreed deviations) follow the relevant provisions of the Notes, as described in more detail in *"Description of the Notes"*.

Repayment

The Revolving Credit Facility will terminate six years from the date of Completion Date. There is no clean down requirement during the life of the Revolving Credit Facility. Each loan under the Revolving Credit Facility must be repaid in full on the last day of its interest period, subject to certain exceptions. Amounts repaid by the borrowers may be re-borrowed, subject to certain exceptions.

Prepayments and Cancellation

Subject to certain conditions, the borrowers may voluntarily prepay all or part of the available loans under the Revolving Credit Facility if they give five business days' prior notice to the agent. Amounts repaid may (subject to the terms of the Revolving Credit Facility) be re-borrowed.

German Holdco may cancel all or part of the available commitments under the Revolving Credit Facility if it gives five business days' prior notice to the agent.

In addition to voluntary prepayments, the Revolving Credit Facility requires mandatory cancellation and, if applicable, prepayment in full or in part in certain circumstances including:

- with respect to any lender, if it is or will become unlawful for such lender to perform any of its obligations under the Revolving Credit Facility;
- upon the occurrence of a change of control of the group or sale of its business; and
- upon the occurrence of a Senior Secured Repurchase having certain characteristics (each such event as fully detailed in the Revolving Credit Facility).

If German Holdco has failed to satisfy the financial covenant described under *"—Financial Covenant"* for three consecutive quarters during which there are no outstanding utilizations, the agent (acting on the instructions of the majority Revolving Credit Facility lenders) shall be entitled to take any of the steps to cancel the lenders' commitments and declare the participation of the Revolving Credit Facility lenders in all outstanding utilizations (and any other unpaid amounts) immediately due and payable.

Events of Default

The Revolving Credit Facility sets out certain events of default, the occurrence of which would allow the lenders to accelerate all outstanding loans and cancel their commitments and/or declare that any amounts outstanding under the Revolving Credit Facility are immediately due and payable. The events of default include, among other events and subject in certain cases to agreed thresholds and other qualifications:

- non-payment of amounts due, subject to a 3 business day grace period if resulting from an administrative or technical error or a disruption event;
- breach of the financial covenant described under *"—Financial Covenant"* or the information covenant, subject to a 3 business day grace period only for delivery of financial statements;
- certain other covenants under the finance documents, subject to a 15 business day grace period;
- cross defaults (including senior secured indebtedness default and certain judgment defaults);
- inaccuracy of a representation or statement when made, deemed to be made or repeated, subject to a 15 business day grace period;
- insolvency, creditors' process and US bankruptcy law, subject to a 15 business day grace period (or, in the case of involuntary US proceedings, a 60-day grace period);
- invalidity or unlawfulness of the finance documents;
- failure of any party (other than the lenders) to comply with the terms of the Intercreditor Agreement, subject to a 15 business day grace period;
- cessation or suspension of a material part of the business;
- change of ownership;
- material audit qualification;
- nationalization or expropriation of our assets;
- any pensions regulator, authority or other such person issuing a notice to any member of the group requiring it to contribute towards the deficit of a pension scheme or secure support for any pensions liabilities which has or is reasonably likely to have a material adverse effect; and
- material adverse change.

Intercreditor Agreement

On June 10, 2011, the Issuer, Luxco2, German Holdco, German Bidco and certain of their affiliates, as debtors, entered into an intercreditor agreement (the *"Intercreditor Agreement"*) with UBS Limited as revolving facility agent and security agent, and the Revolving Credit Facility lenders.

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain debt (including debt incurred under the Revolving Credit Facility) of the debtors;
- when payments can be made in respect of the subordinated debt of the debtors;
- when enforcement action can be taken in respect of the subordinated debt;
- the terms pursuant to which the subordinated debt will be subordinated upon the occurrence of certain insolvency events; and
- turnover provisions.

The Intercreditor Agreement contains provisions related to future indebtedness permitted by the Notes that may be incurred by the Issuer and its subsidiaries which may be secured by the collateral securing the Notes, subject to the terms of the Intercreditor Agreement and any finance documentation then existing (including the Indenture). Such indebtedness will have equivalent rights to the holders of the Notes under the Intercreditor Agreement and will vote in the same class of creditors as the holders of Notes in respect to enforcement.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes.

Ranking and Priority

The Intercreditor Agreement provides that the liabilities owing to the Revolving Credit Facility lenders, the hedge counterparties and the holders of the Notes rank *pari passu* in right and priority of payment between themselves and in priority to all intra-group liabilities, all liabilities owed by the Issuer to German Holdco and liabilities owed by any member of the group to Luxco2 or any other subordinated creditor. The Intercreditor Agreement does not purport to rank the intra-group liabilities, the liabilities owed by the Issuer to German Holdco or the liabilities owed by any member of the group to Luxco2 or any other subordinated creditor as between themselves.

Guarantees and Security

The lenders under the Revolving Credit Facility, the hedge counterparties and the holders of the Notes will benefit from a common guarantee and security package (the *"Transaction Security"*). The liabilities owing to the Revolving Credit Facility lenders, the hedge counterparties and the holders of the Notes will, to the extent permitted under applicable law, be guaranteed by the same debtors and will be secured by the same Transaction Security.

The Intercreditor Agreement contains covenants restricting any of the Revolving Credit Facility lenders, the hedge counterparties or the holders of the Notes from taking any additional guarantees or security unless given for the benefit of all of them. Unless there is a legal restriction on doing so, the security agent shall hold the Transaction Security for the benefit of the Revolving Credit Facility lenders, the hedge counterparties and the holders of the Notes.

No Transaction Security will become enforceable until the occurrence of an acceleration event.

Priority of Security

The Transaction Security shall rank and secure the liabilities owed to the Revolving Credit Facility lenders, the hedge counterparties and the holders of the Notes *pari passu* and without any preference between them, with the proceeds of the Transaction Security to be applied as described under *"—Application of Recoveries"* below.

The Intercreditor Agreement provides that the liabilities owed by the debtors under the Revolving Credit Facility and any liability owed to a hedge counterparty which has been designated as being a priority hedging liability shall rank senior to liabilities under the Notes and liabilities to hedge counterparties not otherwise designated as being priority hedging liabilities in terms of the right to distribution of the proceeds of enforcement of Transaction Security and of distressed disposals of assets comprising Transaction Security.

Restrictions on Payments

Prior to the final discharge date of all debt, there shall be no restrictions under the Intercreditor Agreement on payments to be made to the Revolving Credit Facility lenders or the holders of the Notes.

Payments of liabilities to intra-group lenders, German Holdco and any other subordinated creditors shall be permitted to the extent expressly permitted under the Revolving Credit Facility, the Notes and other applicable senior debt or if the consent of an instructing group is obtained.

Entitlement to Enforce Transaction Security

There are no restrictions on enforcement of Transaction Security by the Revolving Credit Facility lenders or the holders of the Notes, provided that no such creditor may enforce Transaction Security other than in accordance with the Intercreditor Agreement.

Additional Restrictions

The Intercreditor Agreement restricts (among other things) with respect to the Issuer and its subsidiaries:

- the ability of the hedge counterparties to take any enforcement action except for certain specified permitted enforcement actions;
- the ability of intra-group debtors to pay, prepay, repay, redeem, defease or discharge or acquire intra-group liabilities except for certain specified permitted payments;
- the ability of the intra-group lenders to take any enforcement action except for certain specified permitted enforcement actions;
- the ability of the intra-group lenders to take the benefit of any guarantees or security;
- the ability of members of the group to pay, prepay, repay, redeem, defease or discharge or acquire any liabilities owing to the subordinated creditors except for certain specified permitted payments;
- the ability of subordinated creditors to take enforcement action except for certain specified permitted enforcement action; and
- the ability of the subordinated creditors to take the benefit of any guarantees or security.

In addition, the Intercreditor Agreement provides that the Transaction Security and guarantees relating to the liabilities owed to the Revolving Credit Facility lenders, the hedge counterparties and the holders of the Notes will be released in certain circumstances described further below in *"—Release of Security and Guarantees—Non-Distressed Disposals"* and *"—Release of Security and Guarantees—Distressed Disposals"*. Moreover, certain proceeds received by the Revolving Credit Facility lenders, hedge counterparties and the holders of the Notes must be turned over to the security agent pursuant to the Intercreditor Agreement for application in accordance with the Intercreditor Agreement. See further below in *"—Turnover"*.

Effect of an Insolvency Event

After the occurrence of an insolvency event in relation to any member of the group, the intra-group lenders in respect of intra-group liabilities, German Holdco in respect of liabilities owed to it by the Issuer, and the subordinated creditors in respect of any subordinated liabilities owed to them by any member of the group, may (unless otherwise directed by the security agent or unless the security agent has taken, or has given notice that it intends to take, action on behalf of that person) exercise any right it may otherwise have in respect of that member of the group to:

(a) accelerate any of that member of the group's liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the group in respect of any liabilities;

(c) exercise any right of set-off or take or receive any payment in respect of any liabilities of that member of the group; or

(d) claim and prove in the liquidation of that member of the group for such liabilities owing to it.

Each of the subordinated creditors shall (a) do all things the security agent requests in order to give effect to the above actions and (b) if the security agent is not entitled to take any of the above actions and requests that a creditor takes that action, undertake that action itself in accordance with the instructions of the security agent or grant a power of attorney to the security agent to enable it to take such actions.

Release of Security and Guarantees—Non-Distressed Disposals

The security agent shall be permitted to release Transaction Security over any asset if, in respect of a disposal of an asset by a debtor or an asset which is subject to the Transaction Security:

(a) each relevant agent under the Revolving Credit Facility notifies the security agent that such disposal is permitted under the relevant Revolving Credit Facility finance documents;

(b) (from the first incurrence of any debt which ranks *pari passu* with the liabilities owing to the Revolving Credit Facility lenders, the hedge counterparties and the holders of the Notes until the *pari passu* debt has been discharged in full) each relevant representative of a *pari passu* debtor or, if applicable, the issuer of the *pari passu* debt notifies the security agent that such disposal is permitted under the documents setting out the terms of such *pari passu* debt;

(c) (from the date on which the Notes are issued) the Issuer certifies for the benefit of the security agent that such disposal is not prohibited by the Notes; and

(d) such disposal is not a distressed disposal (as set out more fully in *"—Release of Security and Guarantees—Distressed Disposals"* below).

Release of Security and Guarantees—Distressed Disposals

In relation to the disposal of an asset of a member of the group or (to the extent subject to Transaction Security) shares in German Holdco which is being effected at the request of an instructing group in circumstances where the Transaction Security has become enforceable, being effected by the enforcement of the Transaction Security or following an acceleration under the Revolving Credit Facility, the Notes or any debt which is *pari passu* to the Revolving Credit Facility or the Notes then the security agent is irrevocably authorized (at the cost of the relevant debtor or German Holdco and without any consent, sanction, authority or further confirmation from any creditor, subordinated creditor or debtor) to release the Transaction Security or any other claim over that asset and other members of the group owned by it and their assets and execute and deliver or enter into any release of that Transaction Security or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the security agent, be considered necessary or desirable.

Turnover

Subject to certain exclusions, if at any time prior to the final discharge date, any subordinated creditor receives or recovers:

- any amount which is not a permitted payment or made in accordance with the enforcement proceeds waterfall described below under *"—Application of recoveries"*;
- any amount by way of set off in respect of any of the liabilities owed to it which does not give effect to a permitted payment;
- any amount on account of, or in relation to, or by way of set off in respect of any liabilities after an acceleration or enforcement of the Transaction Security or as a result of any litigation against certain members of the group;
- the proceeds of any enforcement of any Transaction Security or of distressed disposals of assets comprising Transaction Security other than in accordance with the enforcement proceeds waterfall described below under *"—Application of recoveries*"; or
- any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by certain insolvent members of the group, in each case where such payment is not made in accordance with the enforcement proceeds waterfall described below under *"—Application of recoveries"*,

or any other creditor receives the proceeds of any enforcement of any Transaction Security or of distressed disposals of assets comprising Transaction Security other than in accordance with the enforcement proceeds waterfall described below under *"—Application of recoveries"* then that creditor or subordinated creditor will (a) in relation to receipts and recoveries not received or recovered by way of set-off, hold the relevant portion of an amount of that receipt or recovery on trust for the security agent and promptly pay the relevant portion of that amount to the security agent for application in accordance with the terms of the Intercreditor Agreement and (b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay the relevant portion of an amount equal to that recovery to the security agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Recoveries

Subject to certain exceptions, proceeds of enforcement of Transaction Security and any other distressed disposals and any other amounts received by the security agent (including amounts from time to time received pursuant to the provisions described under *"—Turnover"*, above) shall be held by the security agent on trust and applied in the following order of priority:

(a) **first**, *pro rata* and *pari passu* to each agent, the trustee of the Notes and the security agent (including any receiver or delegate thereof) in respect of their costs and expenses and any other amounts due and payable to them at such time;

(b) **second**, *pro rata* and *pari passu* to (i) the Revolving Credit Facility lenders in respect of all amounts due and payable to them at such time; (ii) each hedge counterparty in respect of the hedging liabilities designated as priority hedging liabilities due and payable to them, and (iii) the arrangers in respect of any amounts due and payable to them at such time (the foregoing (i) and (ii) referred to below as the *"super senior creditors"*);

(c) **third**, *pro rata* and *pari passu* to (i) each trustee of the Notes on behalf of the holders of the Notes in respect of all amounts due and payable to them at such time; (ii) the hedge counterparties in respect of the hedging liabilities not designated as priority hedge liabilities due and payable to them at such time and (iii) certain *pari passu* debt creditors in respect of all amounts due and payable to them at such time (the foregoing (i) to (iii) referred to below as the *"senior creditors"*);

(d) **fourth**, to any person to whom payment is required to be made by law; and **then**, to each of the obligors under the Revolving Credit Facility, the issuer of the Notes, each guarantor of the notes and any member of the group party to a hedging agreement.

Consultation

At the same time as any of the agent under the Revolving Credit Facility, any trustee of the Notes (or, in each case, any person appointed to act on such person's behalf) (each a *"creditor representative"*) gives any enforcement instructions to the security agent, it shall provide a copy of such enforcement instructions to the other creditor representatives. The security agent shall commence implementation of the enforcement instructions received from such creditor representative no later than the tenth business day following receipt of the first such enforcement instructions (the "enforcement instruction effective date") provided that it receives written consent to do so from a majority of the super senior creditors and a majority of the senior creditors before the enforcement instruction effective date.

If the security agent has not received written consent from a majority of the super senior creditors and a majority the senior creditors to commence implementation of the enforcement instructions or has received conflicting enforcement instructions, in each case, before the enforcement instruction effective date, then the creditor representatives must consult with each other in good faith during the 30 day period following the enforcement instruction effective date (the *"consultation period"*), with a view to formulating joint enforcement instructions. In such case the enforcement instruction effective date shall be deemed extended to the end of the consultation period.

If the creditor representatives are able to agree on the terms of joint enforcement instructions prior to the end of the consultation period, the terms of any previous enforcement instructions shall be deemed revoked and the security agent shall enforce the Transaction Security in accordance with the terms of the joint enforcement instructions agreed to by all the creditor representatives provided that such enforcement instructions are consented to by a majority of the super senior creditors and a majority of the senior creditors.

If the creditor representatives are not able to agree on the joint enforcement instructions by the end of the consultation period, the security agent shall enforce the Transaction Security in accordance with the terms of the enforcement instructions (if any) given by the majority of the senior creditors and the terms of all enforcement instructions given by any other creditor representative shall be deemed revoked.

Notwithstanding the foregoing, if:

(a) the super senior creditors have not been fully repaid within six months of the end of the consultation period;

(b) the security agent has not received any enforcement instructions from a majority of the senior creditors within 45 days of the end of the consultation period; or

(c) an insolvency event has occurred and the security agent has not commenced any enforcement action at that time,

then the Security Agent shall follow the enforcement instructions given by a majority of the super senior creditors.

No creditor may take or cause to be taken any action the purpose or intent of which is, or could be, to interfere, hinder or delay, in any manner, whether by judicial proceedings or otherwise, any sale, transfer or other disposition of the collateral by the security agent acting on the instructions of an instructing group.

Option to Purchase

Following a distress event, a majority of the senior creditors shall have an option (subject to the conditions set out in the Intercreditor Agreement) to purchase all (and not only part) of the liabilities under the Revolving Credit Facility and the hedge liabilities designated as being priority hedging liabilities.

Additional Local Overdraft and Local Working Capital Facilities

To the extent that each of ECB Brazil, the South African JV and the Chinese JV are acquired by the Issuer, following such acquisition, these subsidiaries intend to fund their working capital needs through local overdraft and local working capital facilities.

DESCRIPTION OF THE NOTES

The following description is a summary of the material provisions of the Indenture, the Notes, the Security Documents and the Escrow Agreement and refers to the Intercreditor Agreement. This description does not restate those agreements in their entirety. You should read the Indenture, the Notes, the Security Documents, the Escrow Agreement and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Note, the Security Documents, the Escrow Agreement and the Intercreditor Agreement are available as set forth below under "—Additional Information".

Defined terms used in this description shall have the meanings ascribed to them herein, and defined terms not defined here have the meanings assigned to them in the Indenture. You can find the definitions of certain terms used in this description under the subheading "—Certain Definitions". In this description, the term "Issuer" refers only to Kinove German Bondco GmbH and not to any of its Subsidiaries.

Unless the context requires otherwise, references in this "Description of the Notes" to the Notes include the Notes and any additional Notes having identical terms and conditions to the Notes ("Additional Notes") that are issued. The terms of the Notes include those set forth in the Indenture. The Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended. The Security Documents referred to below under the caption "—Security" define the terms of the security that will secure the Notes.

Kinove German Bondco GmbH (the *"Issuer"*) will issue the Euro Notes and the Dollar Notes under an indenture (the *"Indenture"*) between, among others, the Issuer, Deutsche Trustee Company Limited, as the trustee (the *"Trustee"*) and UBS Limited, as security agent (the *"Security Agent"*), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the *"U.S. Securities Act"*).

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer, together with the proceeds of the Equity Contribution, to fund the purchase price for the Acquisition and to pay costs and expenses incurred in connection with the Transactions as set forth in this Offering Memorandum under the caption *"Use of Proceeds"*. Pending consummation of the Primary Acquisition and the satisfaction of certain other conditions as described below, the Initial Purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of this offering of the two series of Notes into segregated escrow accounts (the *"Escrow Accounts"*), pursuant to the terms of an escrow agreement (the *"Escrow Agreement"*) dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and Deutsche Bank AG, London Branch, as Escrow Agent (the *"Escrow Agent"*). If the Primary Acquisition is not consummated on or prior to September 30, 2011 (such date, the *"Escrow Longstop Date"*), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100% of the issue price of the Notes, plus accrued and unpaid interest and Additional Amounts (as defined below), if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See *"—Escrow of Proceeds; Special Mandatory Redemption"*.

Upon the initial issuance of the Notes, the Notes will be obligations solely of the Issuer and will be guaranteed only by the Initial Guarantors, but not by any of the Carbon Black Subsidiaries. Assuming the Completion Date (as defined below) occurs on or prior to the Escrow Longstop Date and the funds are released from the Escrow Accounts, each of (a) the Completion Guarantors (as defined below) will become a party to the Indenture and will guarantee the Notes on a senior basis, as of the Completion Date, and (b) the Post-Completion Guarantors (as defined below) will, as soon as reasonably practicable thereafter and in any event no later than the earlier of (x) the date on which the relevant Post-Completion Guarantor grants a guarantee in respect of the Revolving Credit Facility and (y) 45 days following the Completion Date, become a party to the Indenture and will guarantee the Notes on a senior basis. Prior to the Completion Date, the Issuer will not own or control the Carbon Black Subsidiaries, and the Carbon Black Subsidiaries will not be subject to the covenants described in this Description of the Notes. As such, we cannot assure you that prior to the Completion Date, the Carbon Black Subsidiaries will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes and the Note Guarantees

The Notes

The Notes:

- will be general senior obligations of the Issuer;
- will be secured by first-ranking Liens over the Collateral;
- will be *pari passu* in right of payment to any existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including Indebtedness incurred under the Revolving Credit Facility;
- will be senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Notes;
- will be effectively subordinated to any existing and future Indebtedness of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;
- will be guaranteed by the Guarantors upon issuance of the Note Guarantees; and
- will be effectively subordinated to all obligations of any of the Parent's subsidiaries that are not Guarantors.

The Note Guarantees

The Note Guarantee of each Guarantor, upon issuance:

- will be a general senior obligation of that Guarantor;
- will be secured by first-ranking Liens over the Collateral;
- will be *pari passu* in right of payment to any existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to such Note Guarantee, including its obligations under the Revolving Credit Facility;
- will be effectively subordinated to any existing and future Indebtedness of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness;
- will be senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Note Guarantee; and
- will be effectively subordinated to all obligations of any of such Guarantor's Subsidiaries that are not the Issuer or also Guarantors.

Not all of the Parent's Subsidiaries will guarantee the Notes. For the twelve months ended March 31, 2011, the Post-Completion Guarantors together represented 92.0% of total EBITDA (after certain adjustments) and, as of March 31, 2011, 84.0% of the total gross assets for the carbon black business line of Evonik Industries AG on a combined basis, in each case, as adjusted for certain unusual gains/losses and discontinued operations. The Indenture will also provide that the Notes will not be guaranteed by any *"Excluded Joint Venture"* established after the Completion Date; provided, however, that if, at any time, any Excluded Joint Venture ceases to qualify as an Excluded Joint Venture or provides, directly or indirectly, a guarantee of any Indebtedness of the Issuer or any of the Guarantors, it will thereafter cease to be an Excluded Joint Venture for purposes of the Indenture and will promptly guarantee the Notes.

The operations of the Issuer are conducted through its Subsidiaries and, therefore, the Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of any of the Issuer's non-Guarantor Subsidiaries. Any right of the Issuer or any Guarantor to receive assets of any of its non-Guarantor Subsidiaries upon that non-Guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-Guarantor Subsidiary's creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-Guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-Guarantor Subsidiary and any Indebtedness of the non-Guarantor Subsidiary senior to that held by the Issuer or such Guarantor. See "*Risk Factors—Risks Related to the Notes—The Notes will be structurally subordinated to all indebtedness of the Issuer's existing or future subsidiaries that are not, or do not become, guarantors of the Notes*". As of March 31, 2011, on a *pro forma* basis after giving effect to the Transactions, the Parent's non-Guarantor Subsidiaries would have had approximately no Indebtedness outstanding.

As of the Issue Date, all of the Parent's Subsidiaries will be *"Restricted Subsidiaries"* for purposes of the Indenture. As of the Completion Date, all of the Parent's Subsidiaries (except, if acquired by the Parent on or prior to the Completion Date, each of Deutsche Gasrußwerke Gesellschaft mit beschränkter Haftung and Kommanditgesellschaft Deutsche Gasrußwerke GmbH & Co.) will be *"Restricted Subsidiaries"* for purposes of the Indenture. However, under the circumstances described below under the caption *"—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries"*, the Parent will be permitted to designate Restricted Subsidiaries as *"Unrestricted Subsidiaries"*. Most of the restrictive covenants in the Indenture do not apply to Unrestricted Subsidiaries. The Parent's Unrestricted Subsidiaries will not guarantee the Notes.

Principal, Maturity and Interest

The Issuer will issue €355.0 million in aggregate principal amount of Euro Notes and $350.0 million in aggregate principal amount of Dollar Notes in this offering. Each of the Euro Notes and each of the Dollar Notes constitute a separate series of Notes but will be treated as a single class of securities for all purposes of the Indenture, including for the purposes of voting and taking all other actions permitted by holders of the Notes, except as otherwise specified in the Indenture. The Issuer may issue Additional Notes under the Indenture from time to time after this offering. The Notes may be issued in one or more series under the Indenture. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"*. The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture. The Issuer will issue Euro Notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof and Dollar Notes in denominations of $200,000 and integral multiples of $1,000 in excess thereof. The Notes will mature on June 15, 2018.

Interest on the Euro Notes will accrue at the rate of 10.000% per annum. Interest on the Dollar Notes will accrue at the rate of 9.625% per annum. Interest on the Notes will be payable semi-annually in arrears on June 15 and December 15, commencing on December 15, 2011. Interest on overdue principal and interest, including Additional Amounts (as defined herein), if any, will accrue at a rate that is 1% higher than the interest rate on the Notes. The Issuer will make each interest payment to the holders of record on the immediately preceding June 1 and December 1.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each, a *"Paying Agent"*) for the Notes in each of (i) the City of London (the "*Principal Paying Agent*"), (ii) the Borough of Manhattan, City of New York, and (iii) Dublin for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require. The Issuer will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Principal Paying Agent will be Deutsche Bank AG, London Branch in London and the initial Paying Agents will be Deutsche International Corporate Services (Ireland) Limited in Ireland (with respect to the Euro Notes) and Deutsche Bank Trust Company Americas in New York (with respect to the Dollar Notes).

The Issuer will also maintain one or more registrars (each, a *"Registrar"*) for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof and the rules of the Irish Stock Exchange so require. The Issuer will also maintain a transfer agent in London and New York (each, a "*Transfer Agent*"). The initial Registrars will be (i) Deutsche Bank Luxembourg S.A. in Luxembourg for the Euro Notes and (ii) Deutsche Bank Trust Company Americas in New York for the Dollar Notes. The initial Transfer Agents will be Deutsche Bank AG, London Branch in London and Deutsche Bank Trust Company Americas in New York. Deutsche Bank Luxembourg S.A. will maintain a register for the Euro Notes reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Issuer. Deutsche Bank Trust Company Americas will maintain a register for the Dollar Notes reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Issuer.

A register of the Notes shall be maintained at the registered office of the Issuer. In case of inconsistency between the register of Notes held by the Registrar and the register of Notes maintained by the Issuer at is registered office, the register maintained by the Issuer shall prevail.

The Issuer may change the Paying Agents, the Registrars or the Transfer Agents without prior notice to the holders of Notes. For so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent through the Companies Announcement Office of the Irish Stock Exchange. Such notice of the change of Paying Agent, Registrar or Transfer Agent may also be posted on the official website of the Irish Stock Exchange (*www.ise.ie*), to the extent and in the manner permitted by the rules of the Irish Stock Exchange.

Transfer and Exchange

Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act (*"Rule 144A"*) will initially be represented by one or more global Notes in registered form without interest coupons attached (the *"Rule 144A Global Notes"*), and Notes sold outside the United States pursuant to Regulation S under the Securities Act (*"Regulation S"*) will initially be represented by one or more global Notes in registered form without interest coupons attached (the *" Regulation S Global Notes"* and together with the Rule 144A Global Notes, the *"Global Notes"*).

Ownership of interests in the Global Notes (the *"Book-Entry Interests"*) will be limited to persons that have accounts with DTC, Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under *"Transfer Restrictions"*. In addition, transfers of Book-Entry Interests between participants in DTC, Euroclear or Clearstream will be effected by DTC, Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by DTC, Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the Rule 144A Global Note, or the *"Restricted Book-Entry Interest"*, may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Rule 144A Global Note, as applicable, or the *"Regulation S Book-Entry Interests"*, only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the date of initial issuance of the Notes, ownership of Regulation S Book-Entry Interests will be limited to Persons that have accounts with Euroclear or Clearstream or Persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of a Restricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A under the Securities Act or otherwise in accordance with the transfer restrictions described under *"Notice to Investors"* and in accordance with any applicable securities laws of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 or $200,000, as applicable, principal amount and integral multiples of €1,000 or $1,000, as applicable, in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by DTC, Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under *"Notice to Investors"*.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 or $200,000, as applicable, in principal amount and integral multiples of €1,000 or $1,000, as applicable, in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at DTC, Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or any of the Guarantors with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law or by the interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a *"Tax Jurisdiction"*) will at any time be required to be made from any payments made by or on behalf of the Issuer under or with respect to the Notes or any of the Guarantors under or with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the *"Additional Amounts"*) as may be necessary in order that the net amounts received in respect of such payments by each holder after such deduction or withholding (including any such withholding, deduction or imposition from such

Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the holder or the beneficial owner of the Notes (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of a power over, the relevant holder, if the relevant holder is an estate, trust, nominee, partnership, limited liability company or corporation, in each case even if the payment is required to be made to such person by the laws of the Tax Jurisdiction) and the relevant Tax Jurisdiction (including being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein), but excluding any connection arising merely from the holding of such Note, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Taxes;

(4) any Taxes withheld or deducted on a payment to an individual or to the benefit of an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive, or pursuant to any European Union legislation amending or replacing such directive;

(5) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(7) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes, following the Issuer’s written request addressed to the holder or beneficial owner (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request), to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation;

(8) any Taxes imposed on or with respect to any payment by the Issuer or Guarantor to the holder if such holder is a fiduciary or partnership or any person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Note; or

(9) any combination of items (1) through (8) above.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein (other than a transfer of the Notes after this offering) or the receipt of any payments with respect thereto, or any such taxes, charges or similar levies imposed by any jurisdiction as a result of, or in connection with, the enforcement of any of the Notes or any Note Guarantee.

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate(s) must also set forth any other information reasonably necessary to enable the Paying Agents to pay such Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will timely remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity.

Whenever in the Indenture or in this *"Description of the Notes"* there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated, engaged in business for tax purposes or otherwise resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Notes (or any Note Guarantee) and any department or political subdivision thereof or therein.

Currency Indemnity

The sole currency of account and payment for all sums payable under the Euro Notes and, with respect to the Euro Notes, the Note Guarantees and the Indenture is Euro. The sole currency of account and payment for all sums payable under the Dollar Notes and, with respect to the Dollar Notes, the Note Guarantees and the Indenture is U.S. Dollars. Any amount received or recovered in respect of the Notes or the Note Guarantees in a currency other than U.S. Dollars in respect of the Dollar Notes or Euro in respect of the Euro Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Parent, any Subsidiary or otherwise) by the Trustee or a holder of the Notes in respect of any sum expressed to be due to such holder from the Issuer or any Guarantor of the Notes will constitute a discharge of their obligation only to the extent of the U.S. Dollar or Euro amount, as applicable, which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If the U.S. Dollar or Euro amount, as applicable, to be recovered is less than the U.S. Dollar or Euro amount, as applicable, expressed to be due to the recipient under any Dollar Note or Euro Note, as applicable, the Issuer and each Guarantor of the Notes shall, jointly and severally, indemnify the recipient against the cost of making any further purchase of U.S. Dollars or Euro, as applicable, in an amount equal to such difference. These indemnities, to the extent permitted by law:

(a) constitute a separate and independent obligation from the Issuer's and each Guarantor's other obligations;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any waiver granted by any holder of a Note or the Trustee from time to time; and

(d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Note Guarantees

General

The Notes will be guaranteed by each Guarantor. These Note Guarantees will be joint and several obligations of the Guarantors. Each Note Guarantee is a full and unconditional guarantee of the Issuer's obligations under the Notes, subject to the contractual limitations discussed below.

The obligations of each Guarantor will be contractually limited under the applicable Note Guarantee to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to such Guarantor and its respective shareholders, directors and general partners. For a brief description of such limitations, please see *"Certain Insolvency Law Considerations and Certain Limitations on Guarantees and Security"*.

The Notes will, as of the Issue Date, be guaranteed by each of the Initial Guarantors. The Notes will, as of the Completion Date, be guaranteed by each of the Completion Guarantors. Each of the Issuer, the Parent and the other Initial Guarantors and Completion Guarantors shall take such necessary actions, and the Parent shall cause its Restricted Subsidiaries to take such necessary actions, so that as soon as reasonably practicable after the Completion Date and in any event no later than the earlier of (a) the date on which the relevant Post-Completion Guarantor grants a guarantee in respect of the Revolving Credit Facility and (b) 45 days following the Completion Date, each of the Post-Completion Guarantors shall become Guarantors of the Notes by executing and delivering to the Trustee a supplemental indenture in the form attached to the Indenture.

Note Guarantees Release

The Note Guarantee of a Subsidiary Guarantor (and of the Parent and Luxco2 in the case of clauses (4), (5), (6) and (7) below) will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Subsidiary Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Parent or a Restricted Subsidiary, if the sale or other disposition does not violate the *"Asset Sale"* provisions of the Indenture;

(2) in connection with any sale or other disposition of Capital Stock of that Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Parent or a Restricted Subsidiary, if the sale or other disposition does not violate the *"Asset Sale"* provisions of the Indenture and the Subsidiary Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(3) if the Parent designates any Restricted Subsidiary that is a Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions *"—Legal Defeasance and Covenant Defeasance"* and *"—Satisfaction and Discharge"*;

(5) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness in accordance with the Intercreditor Agreement and any Additional Intercreditor Agreement;

(6) upon the full and final payment and performance of all Obligations of the Issuer and the Guarantors under the Indenture and the Notes; or

(7) as described under the caption *"—Amendment, Supplement and Waiver"*.

Upon any occurrence giving rise to a release of a Note Guarantee as specified above, the Trustee, subject to receipt of certain documents from the Issuer and/or any Guarantor, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Note Guarantee. Neither the Issuer, the Trustee nor any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Security

General

The Notes will initially be secured by a first-priority lien on the Escrowed Property (as defined below) deposited into the Escrow Accounts as described below under *"—Escrow of Proceeds; Special Mandatory Redemption"*. The Escrowed Property that is deposited in the Escrow Accounts will not be pledged to secure any obligations other than the Issuer's obligations under the Notes and the Indenture. Upon the Release (as defined below), the first-priority lien over the Escrowed Property will be released.

The Notes and the Note Guarantees will be secured by first-ranking Liens over the Collateral. subject to certain Permitted Collateral Liens. The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the holders of the secured obligations that are secured by the Collateral, including holders of the Notes and the lenders under the Revolving Credit Facility.

As of the Completion Date, the Collateral will include the following property and assets;

(1) all of the issued Capital Stock of the Issuer, ECB Brazil, each Initial Guarantor (other than Luxco2) each Completion Guarantor and each Post-Completion Guarantor;

(2) the bank accounts of the Issuer and each Initial Guarantor (other than Luxco2);

(3) intercompany loans and intercompany receivables of the Issuer and each Initial Guarantor (other than Luxco2), if any; and

(4) the rights of German Bidco under the Acquisition Agreement

(together, the *"Initial Collateral"*).

Any additional security interests that may in the future be pledged to secure obligations under the Notes, the Note Guarantees and the Indenture would also constitute Collateral. This includes security interests to be granted on an equal and ratable first-priority basis, pursuant to the terms of the Revolving Credit Facility and subject to the Agreed Security Principles and certain Permitted Collateral Liens, over:

(1) all of the Capital Stock of the South African JV and the Chinese JV owned, directly or indirectly, by the Parent (the *"Post-Completion Capital Stock Collateral"*);

(2) intercompany loans and intercompany receivables of each Completion Guarantor and each Post-Completion Guarantor and those receivables of German Bidco from the South African JV, if any;

(3) the bank accounts of each Completion Guarantor and each Post-Completion Guarantor; and

(4) subject to the Agreed Security Principles, certain other property and assets that will also be pledged to secure the Revolving Credit Facility, which property and assets are expected to include, taking into account the jurisdiction of incorporation and the location of assets of the relevant security provider as well as the cost of granting a security interest over certain assets, (i) certain rights under insurance policies, (ii) certain stock, inventory and machinery, (iii) certain real estate and (iv) certain intellectual property rights (together, the *"Post-Completion Collateral"*).

Each of the Issuer, the Parent and the other Guarantors shall take such necessary actions, and the Parent shall cause its Restricted Subsidiaries to take such necessary actions, so that the Liens on the Post Completion Collateral shall be fully effective: (a) with respect to the Post-Completion Capital Stock Collateral, as soon as reasonably practicable after the Completion Date and in any event no later than the earlier of (i) the date on which the Revolving Credit Facility is secured by the relevant Post-Completion Capital Stock Collateral and (ii) 45 days following the later of the date of acquisition of the Capital Stock of the South African JV and the Chinese JV (as applicable), or the receipt of any necessary regulatory approval or obtaining the consent of minority shareholders (if required) for the granting of the relevant Post-Completion Capital Stock Collateral; and (b) with respect to all other Post-Completion Collateral, as of the same date the applicable Security Documents are required by the terms of the Revolving Credit Facility to be executed and delivered, which is expected to be no later than 45 days following the Completion Date. Subject to certain conditions, including compliance with the covenants described under *"—Certain Covenants—Impairment of Security Interest"* and *"—Certain Covenants—Liens,"* the Parent is permitted to pledge the Collateral in connection with future issuances of its Indebtedness, including any Additional Notes, or Indebtedness of its Restricted Subsidiaries, in each case, permitted under the Indenture and on terms consistent with the relative priority of such Indebtedness.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, please see *"Certain Insolvency Law Considerations and Certain Limitations on Guarantees and Security"*.

No appraisals of any Collateral have been prepared by or on behalf of the Issuer, the Security Agent or the Trustee in connection with the offering of the Notes and the Note Guarantees. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral will be able to be sold in a short period of time or at all.

Security Documents

Under the Security Documents, the Issuer and the Guarantors will grant security over the Collateral to secure the payment when due of the Issuer's and the Guarantors' payment obligations under the Notes, the Note Guarantees and the Indenture. The Security Documents will be entered into by the relevant security provider and the Security Agent. In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests, the relevant Security Documents will provide for the creation of *"parallel debt"* obligations in favor of the Security Agent, and certain security interests in such jurisdictions will secure the parallel debt (and not the Indebtedness under the Notes, the Note Guarantees and the other secured obligations). The parallel debt construct has not been tested under law in certain of these jurisdictions. See *"Risk Factors—Risks Related to the Notes"*.

When entering into the Security Documents, the Security Agent will act in its own name, but for the benefit of the Trustee and the holders of the Notes from time to time. Under the Intercreditor Agreement, the Security Agent will also act for the benefit of the lenders under the Revolving Credit Facility and the counterparties under certain hedging contracts in relation to the security interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes, the Note Guarantees and the Indenture, as applicable, will be secured by the security interests in the Collateral. However, the security interests with respect to the Notes, the Note Guarantees and the Indenture may be released under certain circumstances as provided under *"—Release"* below.

Neither the Trustee nor the holders of the Notes may, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders of the Notes may only take action through the Security Agent.

Subject to the terms of the Indenture, the Revolving Credit Facility, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes and the Note Guarantees, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom.

Release

The Issuer and the Guarantors will be entitled to the release of the Liens over the property and other assets constituting Collateral securing the Notes and the Note Guarantees under any one or more of the following circumstances:

(1) upon the full and final payment and performance of all Obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(2) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions *"—Legal Defeasance and Covenant Defeasance"* and *"—Satisfaction and Discharge"*;

(3) as described under the caption *"—Amendment, Supplement and Waiver"*;

(4) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness in accordance with the Intercreditor Agreement and any Additional Intercreditor Agreement;

(5) in connection with any sale or other disposition of the property and assets to a Person that is not (either before or after giving effect to such transaction) the Parent or a Restricted Subsidiary, if the sale or other disposition does not violate the *"Asset Sale"* provisions of the Indenture;

(6) if the Parent designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets of such Restricted Subsidiary; or

(7) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor.

The Indenture will provide that any release of a Lien on Collateral shall be evidenced by the delivery by the Issuer to the Trustee of an Officer's Certificate of the Issuer, and that the Trustee and the Security Agent shall acknowledge and confirm such release upon delivery of such Officer's Certificate.

Intercreditor Agreement

To establish the relative rights of certain creditors of the Issuer and the Guarantors under their financing arrangements, including, without limitation, the Notes, the Revolving Credit Facility and certain Hedging Obligations, the Issuer, the agent under the Revolving Credit Facility and the Security Agent, among others, will enter into the Intercreditor Agreement. See *"Description of Other Indebtedness—Intercreditor Agreement"*. Concurrently with the closing of the offering of the Notes on the Issue Date, the Trustee will become party to the Intercreditor Agreement.

Pursuant to the terms of the Intercreditor Agreement, the obligations under the Revolving Credit Facility, certain Hedging Obligations and the Notes will be secured equally and ratably by a first ranking security interest granted on a first-priority basis in the Collateral; provided, however, that the proceeds of any recovery from the enforcement of any security interest will be applied, subject to the payment and expenses of the agent under the Revolving Credit Faculty, the Trustee and the Security Agent, to satisfy obligations under the Revolving Credit Facility and such Hedging Obligations before being applied to satisfy any obligations under the Notes, the Note Guarantees and the Indenture.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with, among others, the Trustee and the Escrow Agent, pursuant to which the Initial Purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Notes sold on the Issue Date into the Escrow Accounts. The Escrow Accounts will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the holders of the Notes pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the *"Escrow Charge"*). The initial funds deposited in the Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the *"Escrowed Property"*.

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the *"Release"*), the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officer's Certificate to the effect that:

(1) prior to or concurrently with the release of the proceeds of the Notes, the Equity Contribution will be made;

(2) those documents, including the Tax Structure Memorandum and the legal opinions and the certificates attached as exhibits to the Escrow Agreement, that are required to be delivered on the relevant date of Release have been delivered in accordance with the terms of the Escrow Agreement;

(3) (i) the Primary Acquisition will be consummated, promptly upon release of the Escrowed Property, on substantially the same terms as described in the Offering Memorandum and (ii) no provision of the Acquisition Agreement shall have been amended or waived in any manner which could reasonably be expected, individually or when taken as a whole, to be materially adverse to the interests of the holders of the Notes without the consent of the holders of a majority in principal amount of the Notes outstanding;

(4) immediately after consummation of the Primary Acquisition, the Issuer will own, directly or indirectly, the Capital Stock in ECB Brazil and each of the Carbon Black Guarantors being acquired pursuant to the Acquisition Agreement;

(5) the Issuer and the Guarantors (as applicable), will execute and deliver the applicable Security Documents and all other relevant documents in respect of the Initial Collateral;

(6) all conditions precedent to the execution and delivery of the Revolving Credit Facility (other than the Release) have been satisfied or waived and prior to or concurrently with the Release, the Revolving Credit Facility will be effective and able to be drawn upon by the Borrowers (as defined in the Revolving Credit Facility) thereunder; and

(7) as of the Completion Date, there is no Default under clause (9) of the first paragraph under the heading titled *"Events of Default and Remedies"* below with respect to any of the Issuer or the Initial Guarantors.

The Release shall occur promptly upon the satisfaction of the conditions set forth above (the date of such satisfaction, the *"Completion Date"*). Upon the Release, the Escrow Accounts shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (a) the Completion Date does not take place, (b) the Equity Investors cease to beneficially own and control, directly or indirectly, (i) 100% of the issued and outstanding Voting Stock of the Issuer or (ii) at least a majority of the issued and outstanding Capital Stock of the Issuer, (c) the Acquisition Agreement terminates, (d) there occurs a repudiation by the Issuer of any of its obligations under the Escrow Agreement or the Escrow Charge or the Escrow Agreement or the Escrow Charge becomes unenforceable against the Issuer or any of its other creditors for any reason or (e) a Default arises under clause (9) of the first paragraph under the heading titled *"Events of Default and Remedies"* with respect to any of the Issuer or the Initial Guarantors, in each case, on or prior to the Escrow Longstop Date (the date of any such event being the *"Special Termination Date"*), the Issuer will redeem all of the Notes (the *"Special Mandatory Redemption"*) at a price (the *"Special Mandatory Redemption Price"*) equal to 100% of the issue price of the relevant series of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date.

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the ninth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the *"Special Mandatory Redemption Date"*). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Principal Paying Agent for payment to each holder of Notes the Special Mandatory Redemption Price for such holder's Notes and, concurrently with the payment to such holders, deliver any excess Escrowed Property (if any) to the Issuer.

Rhône Group L.L.C., a limited liability company organized under the laws of Delaware (*"Rhône Group"*) and an affiliate of Rhône Capital L.L.C., will enter into an agreement with the Issuer on or prior to the Issue Date (the *"Rhône Group Funding Commitment"*) to commit to contribute an amount (the *"Rhône Overfunding Amount"*) to the Escrow Accounts in the event of a Special Mandatory Redemption no later than one Business Day prior to the Special Mandatory Redemption Date, which amount represents 50% the Overfunding Amount (as defined below). Rhône Group currently has unfunded capital commitments from its members in excess of any Rhône Overfunding Amount payable by Rhône Group and has agreed in the Rhône Group Funding Commitment to maintain in force such commitments and to leave such commitments in an amount necessary to satisfy the Rhône Overfunding Amount undrawn until the earlier of (i) the closing of the Primary Acquisition and the Release and (ii) the fulfillment by Rhône Group of its obligations under the Rhône Group Funding Commitment. Triton Fund III L.P. and the other limited partnerships constituting Triton III acting through their respective general partners (the *"Triton Fund"*), will enter into an agreement with the Issuer on or prior to the Issue Date (the *"Triton Funding Commitment"*) to commit to contribute an amount (the *"Triton Overfunding Amount"*) to the Escrow Accounts in the event of a Special Mandatory Redemption no later than one Business Day prior to the Special Mandatory Redemption Date, which amount represents 50% of the Overfunding Amount. Triton Fund III L.P. has agreed in the Triton Funding Commitment to leave an amount of its unfunded capital commitments undrawn and borrowings available on its line of credit necessary to satisfy the Triton Overfunding Amount until the earlier of (i) the closing of the Primary Acquisition and the Release and (ii) the fulfilment by the Triton Fund of its obligations under the Triton Funding Commitment. Each of the Rhône Group Funding Commitment and the Triton Funding Commitment will be enforceable against the Rhône Group and the Triton Fund, respectively, by the Trustee for the benefit of the holders of the Notes, in each case, as a third-party beneficiary thereunder.

The *"Overfunding Amount"* will be an amount equal to the sum of (i) the interest that will accrue on the Notes from the Issue Date up to and including September 30, 2011, (ii) any Additional Amounts (as defined under *"—Additional Amounts"*) due on the Notes at the Special Mandatory Redemption Date and (iii) an amount equal to any other amounts, fees and expenses required to be paid under the Escrow Agreement and the Indenture. The funds from each of the Rhône Group Funding Commitment and the Triton Funding Commitment will be applied by the Trustee to provide for the payment of the Overfunding Amount, to the extent applicable, pursuant to a Special Mandatory Redemption. If the Special Mandatory Redemption Date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes are subject to Special Mandatory Redemption by the Issuer.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will notify the Irish Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

No provisions of the Escrow Agreement (including, without limitation, those relating to the release of the Escrowed Property) and, to the extent such provisions relate to the Issuer's obligation to redeem the Notes in a Special Mandatory Redemption, the Indenture, may be waived or modified in any manner materially adverse to the holders of the Notes without the consent of at least 90% in aggregate principal amount of the Notes effected thereby.

Optional Redemption

At any time prior to June 15, 2014, the Issuer may on any one or more occasions redeem (i) up to 35% of the aggregate principal amount of the Dollar Notes issued under the Indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 109.625% of the principal amount of the Dollar Notes redeemed and (ii) up to 35% of the aggregate principal amount of the Euro Notes issued under the Indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 110.000% of the principal amount of the Euro Notes redeemed, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date), with the net cash proceeds of an Equity Offering of (i) the Parent or (ii) any Parent Holdco of the Parent to the extent the proceeds from such Equity Offering are contributed to the Issuer's common equity capital or are paid to the Issuer as consideration for the issuance of ordinary shares of the Issuer; *provided* that:

(1) at least 65% of the aggregate principal amount of the relevant series of Notes originally issued under the Indenture (excluding Notes held by the Parent and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

In addition, at any time prior to June 15, 2014, the Issuer may during each 12-month period commencing with the Issue Date redeem up to 10% of the original aggregate principal amount of each series of Notes at its option, from time to time, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 103% of the principal amount of relevant series of Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date).

Further, at any time prior to June 15, 2014, the Issuer may on any one or more occasions redeem all or a part of each series of Notes upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the relevant series of Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding three paragraphs and except pursuant to *"—Redemption for Changes in Taxes"* or *"—Escrow of Proceeds; Special Mandatory Redemption"*, the Notes will not be redeemable at the Issuer's option prior to June 15, 2014.

On or after June 15, 2014, the Issuer may on any one or more occasions redeem all or a part of each series of Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on June 15 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Euro Notes Redemption Price	Dollar Notes Redemption Price
2014	107.500%	107.219%
2015	105.000%	104.813%
2016	102.500%	102.406%
2017 and thereafter	100.000%	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Redemption for Changes in Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in *"—Selection and Notice"*), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a *"Tax Redemption Date"*) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes or any Note Guarantee, the Issuer or the relevant Guarantor is or would be required to pay Additional Amounts (but in the case of the relevant Guarantor, only if such amount payable cannot be paid by the Issuer or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), and the Issuer or the relevant Guarantor cannot avoid any such payment obligation by taking reasonable measures available, and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment is publicly and formally proposed and becomes effective on or after the date of this Offering Memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this Offering Memorandum, such later date); or

(2) any amendment to, or change in, an official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is publicly and formally proposed and becomes effective on or after the date of this Offering Memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this Offering Memorandum, such later date).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such payment or withholding if a payment in respect of the Notes were then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

Mandatory Redemption

Except pursuant to *"—Escrow of Proceeds; Special Mandatory Redemption"*, the Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of Notes will have the right to require the Issuer to repurchase all or any part (equal to, in the case of Euro Notes, €100,000 or in integral multiples of €1,000 in excess thereof or, in the case of Dollar Notes, $200,000 or in integral multiples of $1,000 in excess thereof) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the *"Change of Control Payment"*), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will mail a notice to each holder of the Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under *"—Selection and Notice"*, stating that a Change of Control Offer is being made and offering to repurchase Notes on the date (the *"Change of Control Payment Date"*) specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Securities Exchange Act of 1934, as amended (the *"U.S. Exchange Act"*) and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Issuer will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent will promptly mail (or cause to be delivered) to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent appointed by the Trustee) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Dollar Note will be in a principal amount of $200,000 or in integral multiples of $1,000 in excess thereof and each new Euro Note will be in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Indenture as described above under the caption *"—Optional Redemption"*, unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase *"substantially all"*, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would constitute a mandatory prepayment event and/or a default due to a breach of undertaking under the Revolving Credit Facility. In addition, certain events that may constitute a change of control under the Revolving Credit Facility may not constitute a Change of Control under the Indenture. The future Indebtedness of the Issuer and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the ability of the Issuer to pay cash to the holders of the Notes upon a repurchase may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Notes prior to the occurrence of the Change of Control.

If and for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Issuer will publish a notice with respect to the results of the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date through the Companies Announcement Office of the Irish Stock Exchange and/or, to the extent and in the manner permitted by the rules of the Irish Stock Exchange, on the official website of the Irish Stock Exchange (www.ise.ie).

Asset Sales

The Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) the Parent (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Parent or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities (other than liabilities (or guarantees thereof) that are by their terms subordinated to the Notes or any Note Guarantee), as recorded on the balance sheet or provisioned for in the notes thereto or specifically provisioned or reserved for in the accounting books and records of the Parent or any Restricted Subsidiary, that are assumed by the transferee of any such assets and as a result of which the Parent and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

(b) any securities, notes or other obligations received by the Parent or any such Restricted Subsidiary from such transferee that are converted by the Parent or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(c) any Capital Stock or assets of the kind referred to in clauses (1)(b) or (e) of the next paragraph of this covenant;

(d) any Designated Non-Cash Consideration received by the Parent or any Restricted Subsidiary in such Asset Sales having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (d) that is at that time outstanding, not to exceed the greater of €25.0 million and 3.0% of Total Assets at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value);

(e) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Parent and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale; and

(f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Parent or any Restricted Subsidiary.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Parent (or the applicable Restricted Subsidiary, as the case may be) may:

(1) apply such Net Proceeds (at the option of the Parent or Restricted Subsidiary):

(a) to prepay, repay, purchase or redeem (i) any Indebtedness incurred under clause (1) of the second paragraph of the covenant entitled *"—Incurrence of Indebtedness and Issuance of Preferred Stock"* that is secured by a first-priority Lien on the Collateral and that is not subordinated in right of payment to the Notes or any Note Guarantee, (ii) Indebtedness of a Restricted Subsidiary of the Issuer that is not a Guarantor or (iii) any Indebtedness that is secured by a Lien on assets or property which were the subject of the Asset Sale and which did not constitute Collateral; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a)(i), the Parent or such Restricted Subsidiary will retire such Indebtedness and, if the Indebtedness being repaid is revolving credit Indebtedness, will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, repurchased or redeemed;

(b) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(c) to make a capital expenditure;

(d) to repurchase or repay Indebtedness that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Notes or the Note Guarantees (other than Indebtedness described in clause (a)(i) above);

(e) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business;

(f) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of holders of the Notes of record on the relevant record date to receive interest due on the relevant interest payment date);

(g) any combination of the foregoing; or

(2) enter into a binding commitment to apply the Net Proceeds pursuant to clause (b), (c) or (e) of paragraph (1) above; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365 day period;

provided that if the assets sold or transferred in such Asset Sale constituted Collateral, the Parent shall pledge or shall cause the applicable Restricted Subsidiary to pledge any assets (including, without limitation, any acquired Capital Stock) acquired with the Net Proceeds of such Asset Sale to secure the Notes on a first-ranking basis.

Pending the final application of any Net Proceeds, the Parent (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute *"Excess Proceeds"*. When the aggregate amount of Excess Proceeds exceeds €25.0 million, within ten Business Days thereof, the Issuer will make an offer (an *"Asset Sale Offer"*) to all holders of Notes and may make an offer to all holders of other Indebtedness that is *pari passu* with the Notes or any Note Guarantees to purchase, prepay or redeem the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds; *provided* that no Dollar Note of less than $200,000 and no Euro Note of less than €100,000 remains outstanding thereafter. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Parent and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Notes tendered pursuant to an Asset Sale Offer exceeds the amount of the Net Proceeds so applied, the Issuer will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a pro rata basis (or in the manner described under *"—Selection and Notice"*), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer or the Parent (as the case may be) will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control or Asset Sale provisions of the Indenture, the Issuer or the Parent (as applicable) will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control or Asset Sale provisions of the Indenture by virtue of such compliance.

The Revolving Credit Facility provides that certain Asset Sale events would constitute a mandatory prepayment event thereunder. Any future credit agreements or other agreements to which the Issuer becomes a party may contain similar restrictions and provisions.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee or the applicable Registrar, as applicable, will select Notes for redemption on a pro rata basis or by lot or by using a pool factor (or, in the case of Notes issued in global form as discussed under *"—Book-Entry, Delivery and Form"*, based on a method that most nearly approximates a pro rata selection as the Trustee or the Registrar, as applicable, deems fair and appropriate; *provided*, *however*, that no such partial redemption shall reduce the portion of the principal amount of a Dollar Note not redeemed to less than $200,000 or of a Euro Note not redeemed to less than €100,000), unless otherwise required by law or applicable stock exchange or depository requirements. Neither the Trustee nor the applicable Registrar shall be liable for any selections made by it in accordance with this paragraph.

No Dollar Notes of $200,000 or less and no Euro Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes which are represented by global certificates held on behalf of DTC, Euroclear or Clearstream, notices may be given by delivery of the relevant notices to DTC, Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be released through the Companies Announcement Office of the Irish Stock Exchange and, in connection with any redemption, the Issuer will notify the Irish Stock Exchange of any change in the principal amount of Notes outstanding.

Certain Covenants

Incurrence of Indebtedness and Issuance of Preferred Stock

The Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, *"incur"*) any Indebtedness (including Acquired Debt), and the Parent and the Issuer will not issue any Disqualified Stock and the Parent will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*:

(1) that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and the Guarantors may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage Ratio for the Parent's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, in each case, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four quarter period; and

(2) if the Indebtedness to be incurred is Senior Secured Indebtedness, the Issuer and the Guarantors may incur such Senior Secured Indebtedness if, on the date on which such Senior Secured Indebtedness is incurred, the Consolidated Senior Secured Leverage Ratio for the Parent is less than 3.25 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Senior Secured Indebtedness had been incurred at the beginning of the relevant period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, *"Permitted Debt"*):

(1) the incurrence by the Parent and any Restricted Subsidiary of additional Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this

clause (1) not to exceed the greater of €196.4 million or U.S.$275 million, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing, *less* (a) the aggregate amount of all Net Proceeds of Asset Sales applied by the Parent or any of its Restricted Subsidiaries since the Issue Date to permanently repay any Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder pursuant to the covenant described above under the caption *"—Repurchase at the Option of Holders—Asset Sales"*, (b) the aggregate amount of any outstanding Indebtedness in excess of €10 million incurred pursuant to clause (19) of this paragraph and (c) the greater of €10.7 million or U.S.$15 million, if the acquisition of the South African JV is not completed on or prior to December 31, 2011; *provided*, *however*, that the aggregate principal amount of Indebtedness that may be incurred pursuant to this clause (1) by Restricted Subsidiaries that are not Guarantors shall not exceed the greater of €17.9 million or U.S.$25 million;

(2) Indebtedness (other than Indebtedness incurred under the Revolving Credit Facility and Indebtedness described in clauses (6) and (7) of this paragraph) outstanding on the Issue Date and which remains outstanding after giving effect to the use of proceeds of the Notes;

(3) (a) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes issued on the Issue Date, the related Note Guarantees (including any future Note Guarantees) and any related *"parallel debt"* obligations created in favor of the Security Agent under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents; and (b) any loan or other instrument contributing the proceeds of the Notes issued on the Issue Date;

(4) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the business of the Parent or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of €15.0 million and 2.0% of Total Assets at any time outstanding;

(5) the incurrence by the Parent or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (5), (16) or (20) of this paragraph;

(6) the incurrence by the Parent or any Restricted Subsidiary of intercompany Indebtedness between or among the Parent or any Restricted Subsidiary; *provided* that:

   (a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the lender is not the Issuer or a Guarantor, such Indebtedness must be unsecured ((i) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Restricted Subsidiaries and (ii) only to the extent legally permitted (the Parent and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors of officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor; and

   (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Parent or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Parent or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Parent or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Parent or to any of its Restricted Subsidiaries of preferred stock; *provided* that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Parent or a Restricted Subsidiary; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Parent or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Parent or any Restricted Subsidiary of Hedging Obligations for *bona fide* hedging purposes of the Parent and its Restricted Subsidiaries and not for speculative purposes;

(9) the Guarantee by the Parent or any Restricted Subsidiary of Indebtedness of the Parent or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to the Notes or subordinated to or *pari passu* with a Note Guarantee, then the Guarantee must be subordinated, in the case of the Notes, or subordinated or *pari passu*, as applicable, in the case of a Note Guarantee, in each case to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(11) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days;

(12) the incurrence by the Parent and its Restricted Subsidiaries of Indebtedness arising from agreements of the Parent or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary, *provided* that the maximum liability of the Parent and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Parent and its Restricted Subsidiaries in connection with such disposition;

(13) the incurrence by the Parent and its Restricted Subsidiaries of Indebtedness in respect of (A) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, and (B) any customary cash management, cash pooling or netting or setting off arrangements; *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(14) Indebtedness of the Parent or any of its Restricted Subsidiaries in respect of Management Advances;

(15) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business;

(16) Indebtedness (a) incurred by the Parent or any of its Restricted Subsidiaries and used to finance an acquisition of assets and assumption of related liabilities or (b) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Parent or any of its Restricted Subsidiaries; provided, however, with respect to this clause (16), that at the time of the acquisition or other

transaction pursuant to which such Indebtedness was deemed to be incurred (x) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant and, if the Indebtedness incurred increases Senior Secured Indebtedness, the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to clause (2) of the first paragraph of this covenant, in each case, after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (16) or (y) the Fixed Charge Coverage Ratio of the Parent would not be less than and the Consolidated Senior Secured Leverage Ratio of the Parent would not be more than it was immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (16);

(17) the incurrence by the Issuer or any Guarantor of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (17), not to exceed €25.0 million;

(18) Indebtedness incurred by any Restricted Subsidiaries of the Issuer under local overdraft and other local working capital facilities in an aggregate principal amount not to exceed, at any one time outstanding, the greater of €35.7 million or U.S.$50 million; *provided* that in respect of any Indebtedness incurred pursuant to this clause (18) in excess of €25 million by Restricted Subsidiaries that are not Guarantors, such Indebtedness will be Non-Recourse Debt with respect to the Parent and its Restricted Subsidiaries other than the obligor under such Indebtedness and its Restricted Subsidiaries that are not Guarantors;

(19) Indebtedness of the Parent and its Restricted Subsidiaries in connection with any Qualified Receivables Transaction in an aggregate principal amount not to exceed, at any one time outstanding, €10 million; *provided* that the Parent and its Restricted Subsidiaries may incur additional Indebtedness in connection with any Qualified Receivables Transaction in excess thereof so long as such additional Indebtedness, when taken together with any other Indebtedness incurred pursuant to clause (1) of this paragraph and then outstanding, will not exceed the greater of €196.4 million or U.S.$275 million;

(20) Indebtedness in an aggregate outstanding principal amount that, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this clause (20) and then outstanding, will not exceed 100% of the Net Proceeds received by the Parent from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than, in connection with the Equity Contribution, Disqualified Stock or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, an Excluded Contribution or in connection with the Equity Contribution) of the Parent, in each case, subsequent to the Completion Date; *provided*, *however*, that (i) any such Net Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (2), (4) and (9) of the second paragraph of the covenant described below under *"—Restricted Payments"* to the extent the Parent and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (20) to the extent the Parent or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (2), (4) and (9) of the second paragraph of the covenant described below under *"—Restricted Payments"* in reliance thereon; and

(21) the Guarantee by the Parent or any Restricted Subsidiary of Indebtedness of a Permitted Joint Venture.

Notwithstanding anything to the contrary contained herein, if the Indebtedness (or any part thereof) to be incurred pursuant to this *"Incurrence of Indebtedness and Issuance of Preferred Stock"* covenant is intended to rank senior to the Notes or the Note Guarantees with respect to distributions of proceeds of any enforcement of any of the Collateral, such Indebtedness (or any part thereof) may only be incurred pursuant to and in accordance with: (i) clause (1) of the definition of Permitted Debt under a Revolving Credit Facility and (ii) clause (8) of the definition of Permitted Debt (but only (x) to the extent the Hedging Obligations are only of the type referred to in clause (4) of the definition of Permitted Collateral Liens and (y) €30 million of such proceeds distributions may be applied in priority to the Notes and the Note Guarantees against the settlement and other amounts that would fall due from the Parent or any of its Restricted Subsidiaries upon the termination or close-out in full of such Hedging Obligations). For purposes of determining compliance with this *"Incurrence of Indebtedness* *and Issuance of Preferred Stock"* covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (21) above, the Issuer, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, and from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant, *provided* that Indebtedness incurred pursuant to clause (1) of the definition of Permitted Debt may not be reclassified.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant.

For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the U.S. Dollar-equivalent or Euro-equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided*, *however*, that (i) if such Indebtedness denominated in non-Euro or non-U.S. Dollar currency is subject to a Currency Exchange Protection Agreement with respect to U.S. Dollars or Euro, the amount of such Indebtedness expressed in U.S. Dollars or Euro, as applicable, will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the U.S. Dollar-equivalent or Euro-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the U.S. Dollar-equivalent or Euro-equivalent of the Indebtedness refinanced, as applicable, determined on the date such Indebtedness was originally incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness, except that to the extent that:

(1) such U.S. Dollar-equivalent or Euro-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence; and

(2) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the U.S. Dollar-equivalent or Euro-equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

    (i) the Fair Market Value of such assets at the date of determination; and

    (ii) the amount of the Indebtedness of the other Person.

Restricted Payments

The Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Parent's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Parent or any of its Restricted Subsidiaries) or to the holders of the Parent's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Parent and other than dividends or payments or distributions payable to the Parent or a Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Parent) any Equity Interests of the Parent or any direct or indirect parent company or entity of the Parent;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is contractually subordinated in right of payment to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Parent and any of its Restricted Subsidiaries), except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Indebtedness purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement;

(4) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Debt; or

(5) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (5) above being collectively referred to as *"Restricted Payments"*), unless, at the time of any such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Parent would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption *"—Incurrence of Indebtedness and Issuance of Preferred Stock"*; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Parent and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by the next succeeding paragraph other than clauses (1), (9) and (15) of the next succeeding paragraph), is less than the sum, without duplication, of:

  (i) 50% of the Consolidated Net Income of the Parent for the period (taken as one accounting period) from the beginning of the fiscal quarter commencing immediately prior to the Issue Date to the end of the Parent's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

  (ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Parent since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Parent (other than Disqualified Stock and Excluded Contributions) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Parent or convertible or exchangeable debt securities of the Parent, in each case that have been converted into or exchanged for Equity Interests of the Parent (other than Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of the Parent) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Parent); *plus*

(iii) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities received by the Parent or any Restricted Subsidiary (other than from the Parent or a Restricted Subsidiary), or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Parent and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(iv) to the extent that any Unrestricted Subsidiary designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Parent or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Parent or a Restricted Subsidiary, the Fair Market Value of the property received by the Parent or Restricted Subsidiary or the Parent's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such Investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Parent or one of its Restricted Subsidiaries to any Person, an amount equal to the amount of such Guarantee; *plus*

(vi) 100% of any cash dividends or distributions received by the Parent or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Parent for such period.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Parent) of, Equity Interests of the Parent (other than Disqualified Stock), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Parent; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from the calculation of amounts under clause (c)(ii) of the preceding paragraph, shall not constitute Excluded Contributions and will not be considered to be net cash proceeds from an Equity Offering for purposes of the *"Optional Redemption"* provisions of the Indenture;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Parent or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of the Parent or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €5 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years subject to a maximum of €10 million per calendar year); and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds from the sale of Equity Interests of the Parent or a Restricted Subsidiary received by the Parent or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Parent, any of its Restricted Subsidiaries or any of its direct or indirect parent companies and (B) the cash proceeds of key man life insurance policies of the Parent or a Restricted Subsidiary received by the Parent or a Restricted Subsidiary after the Issue Date less any amount previously

applied to the making of Restricted Payments pursuant to this clause (4), in each case, to the extent the cash proceeds have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph;

(5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(6) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Parent or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described above under the caption *"—Incurrence of Indebtedness and Issuance of Preferred Stock"*;

(7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Parent or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(8) any payments pursuant to a tax sharing agreement between the Parent and any other Person or a Restricted Subsidiary and any other Person with which the Parent or any of its Restricted Subsidiaries files a consolidated tax return or with which the Parent or any of its Restricted Subsidiaries is part of a group for tax purposes (including a fiscal unity) or any tax advantageous group contribution made pursuant to applicable legislation; *provided*, *however*, that any such tax sharing agreement does not permit or require payments in excess of the amounts of tax that would be payable by the Parent and its Restricted Subsidiaries on a stand-alone basis and the related tax liabilities of the Parent and its Restricted Subsidiaries are relieved thereby;

(9) so long as no Default has occurred and is continuing or would be caused thereby, following an Initial Public Offering of the Capital Stock of the Parent or a Parent Holdco of the Parent, the payment of dividends on the Capital Stock of the Parent in an amount per annum not to exceed the greater of (a) 6% per annum of the net cash proceeds received by the Parent from such Initial Public Offering and (b) 5% of the Market Capitalization; *provided*, that after giving *pro forma* effect to the payments of such dividend, the Parent's Consolidated Leverage Ratio would have been less than 3.0 to 1.0;

(10) advances or loans to (a) any future, current or former officer, director, employee or consultant of the Parent or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Parent (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Parent (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (10) does not exceed €5.0 million in any calendar year;

(11) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Parent or any Restricted Subsidiary) on no more than a pro rata basis;

(12) so long as no Default or Event of Default has occurred and is continuing, the payment of Management Fees;

(13) Permitted Parent Payments;

(14) Restricted Payments that are made with Excluded Contributions;

(15) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is subordinated in right of payment to the Notes or to any Note Guarantee (other than any Indebtedness so subordinated and held by Affiliates of the Issuer) upon a Change of Control to the extent required by the agreements governing such Indebtedness at a purchase price not greater than 101% of the principal amount of such Indebtedness, but only if the Issuer shall have complied with its obligations under the covenants described under *"Repurchase at the Option of Holders—*

Change of Control" and the Issuer repurchased all Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Indebtedness;

(16) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Parent or a Restricted Subsidiary by, Unrestricted Subsidiaries;

(17) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed €10.0 million since the Issue Date;

(18) the payment of any fees and purchases of Receivables and related assets in connection with a Qualified Receivables Transaction; or

(19) any Restricted Payment made in connection with transactions permitted under clauses (1) or (10) of the second paragraph of the covenant described under *"—Transactions with Affiliates"*, in each case, as described in the Offering Memorandum.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

Liens

The Parent will not and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, except (a) in the case of any asset or property that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if all payments due under the Indenture, the Notes and the Note Guarantees, as applicable, are secured on an equal and ratable basis with, or prior to, the obligations so secured until such time as such obligations are no longer secured by a Lien, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Parent or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Parent or any Restricted Subsidiary;

(2) make loans or advances to the Parent or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Parent or any Restricted Subsidiary,

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Parent or any Restricted Subsidiary to other Indebtedness incurred by the Parent or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) any agreements governing Indebtedness and Credit Facilities as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(2) the Indenture, the Notes, the Note Guarantees, the Revolving Credit Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(3) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be incurred pursuant to the provisions of the covenant described under *"—Incurrence of Indebtedness and Issuance of Preferred Stock"* above if the encumbrances and restrictions contained in any such agreement or instrument, taken as a whole, are not materially less favorable to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Parent) or such encumbrance or restriction applies only if a default occurs in respect of a payment of financial covenant relating to such Indebtedness;

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Parent or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(6) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the purchase, transfer or lease of property or assets to the Parent or any Restricted Subsidiary

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption *"—Liens"* that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(13) any encumbrance or restriction effected in connection with a Qualified Receivables Transaction; and

(14) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (13), or in this clause (14); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced.

Limitation on Layered Debt

Neither the Issuer nor any Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided*, *however*, that no

Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral, or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment-ordering provisions affecting different tranches of Indebtedness.

Merger, Consolidation or Sale of Assets

The Issuer

The Issuer will not directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole, in either case, in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made (for the purposes of this covenant, or as otherwise applicable, the *"Surviving Entity"*) is an entity organized or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with the Issuer (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes (a) by supplemental indenture, executed and delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all the obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption *"—Incurrence of Indebtedness and Issuance of Preferred Stock"* or (ii) have a Fixed Charge Coverage Ratio not less than and a Consolidated Senior Secured Leverage Ratio not more than it was immediately prior to giving effect to such transaction; and

(5) at the time of the transaction, the Issuer or the Surviving Entity, as applicable, will have delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger, sale, assignment, transfer, conveyance, lease or other disposition and the supplemental indenture in respect thereof complies with the Indenture and that the Notes, the supplemental indenture and the Indenture constitute legal, valid and binding obligations of the Issuer or the Surviving Entity, enforceable in accordance with their terms; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (3) and (4) above.

The Parent

The Parent will not directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Parent is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Parent and its Restricted Subsidiaries taken as a whole in one or more related transactions, to another Person, unless:

(1) either: (a) the Parent is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Parent) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made (for the purposes of this

covenant, or as otherwise applicable, the *"Surviving Entity"*) is an entity organized or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with the Parent (if other than the Parent) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes (a) by supplemental indenture, executed and delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, all the obligations of the Parent under its Note Guarantee and the Indenture and (b) all the obligations of the Parent under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) immediately after giving effect to such transaction on a *pro forma* basis and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, the Parent (or the Surviving Entity if the Parent is no longer the continuing obligor under the Indenture), would (i) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption *"—Incurrence of Indebtedness and Issuance of Preferred Stock"* or (ii) have a Fixed Charge Coverage Ratio not less than and a Consolidated Senior Secured Leverage Ratio not more than it was immediately prior to giving effect to such transaction; and

(5) at the time of the transaction, the Issuer (or the Surviving Entity, if applicable) will have delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger, sale, assignment, transfer, conveyance, lease or other disposition and the supplemental indenture in respect thereof complies with the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the supplemental indenture, the Indenture and the Note Guarantee constitute legal, valid and binding obligations of the Parent or the Person formed by or surviving any such consolidation and merger (as applicable), enforceable in accordance with their terms; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Luxco2

Luxco2 will not directly or indirectly: (1) consolidate or merge with or into another Person (whether or not Luxco2 is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of Luxco2 and its Restricted Subsidiaries taken as a whole in one or more related transactions, to another Person, unless:

(1) either: (a) Luxco2 is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than Luxco2) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made (for the purposes of this covenant, or as otherwise applicable, the "*Surviving Entity*") is an entity organized or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with Luxco2 (if other than Luxco2) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes (a) by supplemental indenture, executed and delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, all the obligations of Luxco2 under its Note Guarantee and the Indenture and (b) all the obligations of Luxco2 under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) at the time of the transaction, the Issuer (or the Surviving Entity, if applicable) will have delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger, sale, assignment, transfer, conveyance, lease or other disposition and the supplemental indenture in respect thereof complies with the Indenture and that all conditions

precedent in the Indenture relating to such transaction have been satisfied and that the supplemental indenture, the Indenture and the Note Guarantee constitute legal, valid and binding obligations of Luxco2 or the Person formed by or surviving any such consolidation and merger (as applicable), enforceable in accordance with their terms; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Guarantors other than the Parent and Luxco2

A Guarantor (other than the Parent, Luxco2 or a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and the Indenture as described under *"—Note Guarantees—Note Guarantees Release"*) will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists;

(2) either:

  (a) the Person acquiring the property in any such sale, assignment, transfer, lease, conveyance or other disposition or the Person formed by or surviving any such consolidation or merger (for the purposes of this covenant, or as otherwise applicable, the *"Surviving Entity"*) assumes (i) by supplemental indenture, executed and delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, all the obligations of the Guarantor under its Note Guarantee and the Indenture and (ii) all the obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

  (b) the Net Proceeds of such sale, transfer, lease conveyance or other disposition are applied in accordance with the applicable provisions of the Indenture; and

(3) at the time of the transaction, the Issuer (or the Surviving Entity, if applicable) will have delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger, sale, assignment, transfer, conveyance, lease or other disposition and the supplemental indenture in respect thereof complies with the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the supplemental indenture, the Indenture and the Note Guarantee constitute legal, valid and binding obligations of the Guarantor or the Person formed by or surviving any such consolidation and merger (as applicable), enforceable in accordance with their terms; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

General

In addition, neither the Issuer nor any Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of it and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

The provisions set forth in this "*Merger, Consolidation or Sale of Assets*" covenant, shall not restrict and shall not apply to transactions referred to in this paragraph: (i) the merger, consolidation with, liquidation into or transfer of all or substantially all of the properties and assets of any Restricted Subsidiary of the Issuer (other than a Subsidiary Guarantor) to any other Restricted Subsidiary of the Issuer (other than a Subsidiary Guarantor); (ii) the merger, consolidation with, liquidation into or transfer of all or substantially all of the properties and assets of any Subsidiary Guarantor to the Issuer or another Subsidiary Guarantor; and (iii) any Permitted Reorganization involving the Parent or any Restricted Subsidiary.

Notwithstanding clauses (3) and (4) of the first paragraph under the caption "*—The Issuer*", clauses (3) and (4) of the second paragraph under the caption "*—The Parent*", clause (3) of the third paragraph under the caption "*—Luxco2*" and clause (1) of the fourth paragraph under the caption "*—Guarantors other than the Parent and Luxco2*" of this "*Merger, Consolidation or Sale of Assets*" covenant, respectively (which do not apply to transactions referred to in this paragraph): (i) the Issuer may consolidate or merge into any Guarantor, provided that if the Issuer is not the surviving entity of such consolidation or merger, the relevant Guarantor will assume the obligations of the Issuer under the Indenture, the Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable; and (ii) the Issuer or a Guarantor may consolidate or otherwise combine or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer or such Guarantor, reincorporating the Issuer or such Guarantor in another jurisdiction, or changing the legal form of the Issuer or such Guarantor.

Transactions with Affiliates

The Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Parent (each, an "*Affiliate Transaction*") involving aggregate payments or consideration in excess of €5.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Parent or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Parent or such Restricted Subsidiary with an unrelated Person; and

(2) the Parent delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €15.0 million, a resolution of the Board of Directors of the Parent set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Parent; and, in addition,

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €25.0 million, a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Parent or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;

(2) transactions between or among the Parent and/or its Restricted Subsidiaries;

(3) transactions in the ordinary course of business with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Parent solely because the Parent owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of Officers, directors, employees or consultants of the Parent or any of its Restricted Subsidiaries;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Parent to Affiliates of the Parent;

(6) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of the Indenture described above under the caption *"—Restricted Payments"*;

(7) Management Advances and the payment of Management Fees;

(8) any Permitted Investments (other than Permitted Investments described in clauses (3) and (15) of the definition thereof);

(9) the incurrence of any Subordinated Shareholder Debt;

(10) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous in any material respect to the holders of the Notes than the original agreement as in effect on the Issue Date;

(11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of this Indenture that are fair to the Parent or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Parent or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

(12) any payments or other transactions pursuant to a tax sharing agreement between the Parent and any other Person or a Restricted Subsidiary and any other Person with which the Parent or any of its Restricted Subsidiaries files a consolidated tax return or with which the Parent or any of its Restricted Subsidiaries is part of a group for tax purposes (including a fiscal unity) or any tax advantageous group contribution made pursuant to applicable legislation; *provided*, *however*, that any such tax sharing agreement does not permit or require payments in excess of the amounts of tax that would be payable by the Parent and its Restricted Subsidiaries on a stand-alone basis;

(13) any transaction effected as part of a Qualified Receivables Transaction;

(14) any contribution to the capital of the Parent in exchange for Capital Stock of the Parent (other than Disqualified Stock and preferred stock);

(15) transactions between the Parent or any of its Restricted Subsidiaries and any Person, a director of which is also a director of the Parent or any direct or indirect parent of the Parent; provided, however, that such director abstains from voting as a director of the Parent or such direct or indirect parent, as the case may be, on any matter involving such other Person;

(16) pledges of Equity Interests of Unrestricted Subsidiaries; and

(17) any transaction (i) pursuant to the Rütgers Supply Agreement and (ii) pursuant to any other agreement, including any amendment, supplement, variation, extension or replacement of the Rütgers Supply Agreement, from time to time entered into in the ordinary course of business between the Parent or any of its Restricted Subsidiaries, on the one hand, and Rütgers Basic Aromatics GmbH, on the other; *provided* that, in the case of clause (ii), such transactions are in all material respects on terms substantially consistent with those that would have been obtained in comparable transactions at such time on an arm's length basis from any other Person who is not an Affiliate, as determined by the Parent in good faith (it being understood that where such transactions are entered into pursuant to the Rütgers Supply Agreement or similar arrangements, such arm's length determination may be made with respect to such agreement, which will cover all transactions entered into pursuant thereto).

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Parent may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Parent and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption *"—Restricted Payments"* or under one or more clauses of the definition of Permitted Investments, as determined by the Parent. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Parent may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Parent as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption *"—Restricted Payments"*. The Board of Directors of the Parent may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption *"—Incurrence of Indebtedness and Issuance of Preferred Stock"*, calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of the Irish Stock Exchange for trading on the Global Exchange Market for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Irish Stock Exchange, and thereafter use its commercially reasonable efforts to maintain, a listing of such Notes on another *"recognized stock exchange"* as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Additional Guarantees

The Parent will not cause or permit any of its Restricted Subsidiaries that are not Guarantors or the Issuer, directly or indirectly, to guarantee the payment of, assume or in any manner become liable with respect to any other Indebtedness under Credit Facilities of the Issuer or a Guarantor, unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Note Guarantee of the payment of the Notes by such Restricted Subsidiary, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness and on the same terms as the other Note Guarantees of the Guarantors except that:

(1) if such Indebtedness is by its terms expressly subordinated to the Notes or any Note Guarantee, any such assumption, guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated to such Restricted Subsidiary's Note Guarantee at least to the same extent as such Indebtedness is subordinated to the Notes or any Note Guarantee;

(2) no Note Guarantee shall be required if such Note Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the Officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Parent or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes but excluding any reasonable guarantee or similar fee payable to the Parent or a Restricted Subsidiary) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Note Guarantee, which cannot be avoided through measures reasonably available to the Parent or the Restricted Subsidiary; and

(3) each such Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Subject to the Agreed Security Principles, any such Restricted Subsidiary will, as the Security Agent may reasonably specify, provide security over all of its existing and future assets (other than an asset of such Restricted Subsidiary which is subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any Obligations secured by such Permitted Lien) to secure the

Notes and the Note Guarantees, and the Parent will cause all of the Capital Stock in such Restricted Subsidiary owned by the Parent and its Restricted Subsidiaries to be pledged to secure the Notes and the Note Guarantees.

Payments for Consent

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Parent and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction where: (A)(i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Parent or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Parent in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction; or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Impairment of Security Interest

The Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission might or would have the result of materially impairing the security interests with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interests with respect to the Collateral) for the benefit of the Trustee and the holders of the Notes, and the Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Notes and the other beneficiaries described in the Security Documents and the Intercreditor Agreement and any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral; *provided* that (a) nothing in this provision will restrict the discharge or release of the Collateral in accordance with the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) the Parent and its Restricted Subsidiaries may incur Permitted Collateral Liens; and *provided further*, *however*, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, supplement, modification, replacement or release, the Issuer delivers to the Trustee either (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee, confirming the solvency of the Parent and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release, (2) a certificate from the Board of Directors or chief financial officer of the Parent (acting in good faith), in the form set forth as an exhibit to the Indenture, that confirms the solvency of the Person granting such Lien after giving effect to any transaction related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified, replaced or released are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification, replacement or release.

At the direction of the Issuer and without the consent of the holder of Notes, the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) (but subject to compliance with the immediately preceding paragraph above) provide for Permitted Collateral Liens, (iii) add to the Collateral and (iv) make any other change thereto that does not adversely affect the rights of the holders of the Notes in any material respect.

In the event that the Issuer complies with this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement with no need for instructions from holders of the Notes.

Further Assurance

The Parent will, and will procure that each of its Subsidiaries will, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and (ii) if such Security Documents have become enforceable, for facilitating the realisation of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Parent will, and will procure that each of its Subsidiaries will, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Additional Intercreditor Agreements

At the request of the Issuer, without the consent of holders of the Notes, and at the time of, or prior to, the incurrence by the Parent or a Restricted Subsidiary of Indebtedness permitted pursuant to (x) the first paragraph of the covenant described under *"—Incurrence of Indebtedness and Issuance of Preferred Stock"* or clauses (1), (4) (other than with respect to Capital Lease Obligations), (8) and (17) of the second paragraph of the covenant described under *"—Incurrence of Indebtedness and Issuance of Preferred Stock"* and (y) any Permitted Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (x), the Issuer, the relevant Guarantors, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an *"Additional Intercreditor Agreement"*) or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to holders of the Notes), including containing substantially the same terms with respect to release of guarantees and priority and release of security interests; *provided*, *however*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer, and without the consent of holders of the Notes, the Trustee and the Security Agent shall, form time to time, enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) to cure defects, resolve ambiguities or reflect changes, in each case, of a minor, technical or administrative nature, (2) increase the amount or types of Indebtedness covered by any Intercreditor Agreement or Additional Intercreditor Agreement that may be incurred by the Issuer or a Guarantor that is subject to any such agreement (provided that such amendment is consistent with the preceding paragraph), (3) add new Guarantors to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes, (5) make provision for the security securing Additional Notes to rank *pari passu* with the Collateral or (6) make any other change to any such Intercreditor Agreement or an Additional Intercreditor Agreement that does not adversely affect the rights of holders of the Notes in any material respect.

The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted by *"—Amendment, Supplement and Waiver"* or as described in the preceding paragraph and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Indenture, the Intercreditor Agreement or such Additional Intercreditor Agreement.

The Indenture shall provide that in relation to the Intercreditor Agreement or, to the extent applicable, an Additional Intercreditor Agreement, the Trustee (and the Security Agent, if applicable) shall be deemed to have consented on behalf of the holders of the Notes to any payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby, *provided* that such transaction would comply with the covenant described under the caption *"—Restricted Payments"*.

The Indenture will provide that each holder of a Note, by accepting such Note, will be deemed to have agreed to, accepted the terms and conditions of, and to have directed the Trustee and the Security Agent to enter into, the Intercreditor Agreement and any Additional Intercreditor Agreement and any amendment, restatement or other modification referred to in the preceding paragraphs (whether then entered into or entered into in the future pursuant to the provisions described herein) and the Trustee or the Security Agent will not be required to seek the consent of any holders of Notes to perform its obligations under and in accordance with this covenant.

Suspension of Covenants when Notes Rated Investment Grade

If on any date following the Completion Date:

(1) the Notes have achieved Investment Grade Status; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the *"Suspension Period"*), the covenants specifically listed under the following captions in this Offering Memorandum will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Parent and its Restricted Subsidiaries:

(1) *"—Repurchase at the Option of Holders—Asset Sales"*;

(2) *"—Incurrence of Indebtedness and Issuance of Preferred Stock"*;

(3) *"—Restricted Payments"*;

(4) *"—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries"*;

(5) clause (4) of the first paragraph of the covenant described under *"—Merger, Consolidation or Sale of Assets"*;

(6) *"—Transactions with Affiliates"*; and

(7) *"—Designation of Restricted and Unrestricted Subsidiaries"*.

Such covenants will not, however, be of any effect with regard to the actions of Parent and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption *"—Restricted Payments"* had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of the covenant described under the caption *"—Incurrence of Indebtedness and Issuance of Preferred Stock"*. Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero. The Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future pursuant to such contractual commitments after any date on which a Suspension Period ends.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Reports

For so long as any Notes are outstanding, the Issuer will furnish to the Trustee:

(1) within 120 days (or, in the case of the fiscal year ending December 31, 2011, 150 days) after the end of the Parent's fiscal year beginning with the fiscal year ending December 31, 2011, annual reports containing the following information: (a) audited consolidated balance sheet of the Parent or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Parent or its predecessor for the two most recent fiscal years, including complete notes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Parent, together with explanatory notes, for any acquisitions or disposition that, individually or in the aggregate when considered with all other acquisition or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Parent on a *pro forma* basis or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates; (c) with a level of detail that is substantially comparable and similar in scope to this Offering Memorandum, an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion by business segment), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the industry, business, management and shareholders of the Parent, all material affiliate transactions, material financing arrangements and a description of all material contractual arrangements; and (e) material risk factors and material recent developments;

(2) within 60 days following the end of the fiscal quarters ending June 30, 2011 and September 30, 2011 of the Carbon Black Subsidiaries, a trading update containing: (a) a summary review of the consolidated financial condition and results of operations of the Carbon Black Subsidiaries (including by business line), revenues, EBITDA, any material changes in liquidity and working capital, capital resources, capital expenditure, Fixed Charges and any material change between the current quarterly period and the corresponding period of the prior year; (b) material developments in the business of the Carbon Black Subsidiaries; and (c) directors and management compensation;

(3) within 60 days (or, in the case of the fiscal quarter ending June 30, 2011 and the fiscal quarter ending September 30, 2011, the later of 90 days after the Completion Date or the end of such fiscal quarter) following the end of each of the first three fiscal quarters in each fiscal year of the Parent or its predecessor beginning with the fiscal quarter ending June 30, 2011, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Parent or its predecessor (for the avoidance of doubt, including the Carbon Black Subsidiaries and *provided* that with respect to the fiscal quarters ending June 30, 2011 and September 30, 2011, comparable balance sheet information shall be limited to working capital, including the components thereof), together with condensed note disclosure; (b) *pro forma* income statement and balance sheet information, together with explanatory notes, for any acquisition or disposition that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recent completed fiscal quarter as to which such quarterly report relates, represents greater than 20% of the consolidated revenues, EBITDA or assets of the Parent on a *pro forma* basis or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates; (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment), including a discussion of the consolidated financial condition and results of operations of the Parent (for the avoidance of doubt, including the Carbon Black Subsidiaries) and any material change between the current quarterly period and the corresponding period of the prior year; (d) material developments in the business of the Parent and its Subsidiaries (for the avoidance of doubt, including the Carbon Black Subsidiaries); and (e) any material changes to the risk factors disclosed in the most recent annual report with respect to the Parent;

(4) promptly after the occurrence of: (a) a material acquisition, disposition or restructuring (including any acquisition or disposition that would require the delivery of *pro forma* financial information pursuant to clauses (1) or (2) above) (other than the Primary Acquisition); (b) any senior management change at the Parent; (c) any change in the auditors of the Parent; (d) any resignation of a member of the Board of Directors of the Parent as a result of a disagreement with the Parent; (e) the entering into an agreement that will result in a Change of Control; or (f) any material events that the Parent announces publicly, in each case, a report containing a description of such events,

provided, *however*, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantors or non-Guarantor Subsidiaries of the Issuer.

If the Parent has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the notes thereto, of the financial condition and results of operations of the Parent and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Parent.

All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Parent or Subsidiaries of the Parent or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

In addition, for so long as any Notes remain outstanding, the Issuer has agreed that it will, furnish to the holders of the Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of the covenant (i) on a website maintained by the Parent or any of its Affiliates and (ii) if and so long as the Notes are listed on the Official List of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, at the specified office of the Paying Agent in Dublin.

Events of Default and Remedies

Each of the following is an *"Event of Default"* under the Indenture:

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by Luxco2, the Parent or the relevant Restricted Subsidiary to comply with the provisions described under the caption *"—Certain Covenants—Merger, Consolidation or Sale of Assets"*;

(4) failure by Luxco2, the Parent or the relevant Restricted Subsidiary for 60 days after written notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3) above or the Notes, the Note Guarantees or the Security Documents);

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Parent or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Parent or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

   (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a *"Payment Default"*); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €25.0 million or more;

(6) failure by the Parent or any Restricted Subsidiary to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of €25.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(7) with respect to Collateral having a Fair Market Value in excess of (i)(a) €5.0 million, any security interest created by the Security Documents ceases to be in full force and effect (except as permitted by the terms of the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement), or (b) an assertion by the Parent or any of its Restricted Subsidiaries that any Collateral is not subject to a valid, perfected security interest (except as permitted by the terms of the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement); or (ii) the repudiation by the Parent or any of its Restricted Subsidiaries of any of its material obligations under the Security Documents; provided, in the case of clause (i)(a) above, such Default continues for 20 days;

(8) except as permitted by the Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor and such Default continues for 20 days, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee;

(9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Parent or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary;

(10) failure by the Issuer to consummate the Special Mandatory Redemption as described under the caption *"—Escrow of Proceeds; Special Mandatory Redemption"*; and

(11) failure by the Issuer to comply with any material term of the Escrow Agreement that is not cured within 5 days.

In the case of an Event of Default specified in clauses (9), (10) and (11) of the first paragraph of this covenant, all outstanding Notes will become due and payable immediately without further action or notice. Notwithstanding clause (4) of the first paragraph of this covenant, the failure by the Parent and its Restricted Subsidiaries to procure that Evonik Carbon Black Korea Co. Ltd. and Korea Bidco provide a Note Guarantee (together, the *"Korean Guarantees"*) within the required time periods as provided under the caption *"Note-Guarantees—General"* shall not constitute a Default, *provided* that the Parent and its Restricted Subsidiaries have used and will continue to use commercially reasonable efforts to procure the Korean Guarantees and the failure to obtain such guarantees was solely attributable to not obtaining the required regulatory consent from the Bank of Korea. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under "*—Amendment, Supplement and Waiver"*) to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested, in writing, the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security and/or indemnity satisfactory to the Trustee against any loss, liability and/or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of not less than a majority in aggregate principal amount of the Notes outstanding may, on behalf of the holders of all outstanding Notes, waive any past default under the Indenture and its consequences, except a continuing default in the payment of the principal or premium, if any, any Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of the holders of 90% in aggregate principal amount of the Notes affected).

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

The holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the holders of all of the Notes, rescind any acceleration and its consequences under the Indenture if (a) such rescission would not conflict with any judgment or decree of a court of competent jurisdiction, (b) all existing Events of Default, other than the non-payment of principal of, premium, if any, interest and Additional Amounts, if any, on the Notes that have become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture and (c) the Issuer has paid or deposited with the Trustee a sum sufficient to pay (1) all sums paid or advanced by the Notes Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Notes Trustee, its agents and counsel, (2) all overdue interest and Additional Amounts on all Notes then outstanding, (3) the principal of and premium, if any, on any Notes then outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes, and (4) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Notes. No such recission shall affect any subsequent default or impair any right consequent thereon.

In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) of the first paragraph of this section has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness that gave rise to such Event of Default, or such Indebtedness shall have been discharged in full, within 20 days after the Event of Default arose and if (1) the annulment of the acceleration (if applicable) of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Note Guarantees, the Security Documents, the Intercreditor Agreement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees (*"Legal Defeasance"*) except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture (*"Covenant Defeasance"*) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under *"—Events of Default and Remedies"* (except those relating to payments on the Notes or, solely with respect to the Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee (or such other entity designated by the Trustee for this purpose), in trust, (i) for the benefit of the holders of the Dollar Notes, cash in dollars, non-callable U.S. Government Obligations or a combination thereof or (ii) for the benefit of the holders of the Euro Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in each case, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer or the Guarantors with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer, the Guarantors or others; and

(5) the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided otherwise in the succeeding paragraphs, the Indenture, the Notes, the Note Guarantees, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Note Guarantees, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption *"—Repurchase at the Option of Holders"*);

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) impair the right of any holder of Notes to receive payment of principal of and interest on such holder's Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such holder's Notes or any Guarantee in respect thereof;

(5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);

(6) make any Note payable in money other than that stated in the Notes;

(7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(8) change the ranking of the Notes or the Note Guarantees;

(9) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption *"—Repurchase at the Option of Holders"*);

(10) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;

(11) release the Lien on Collateral granted for the benefit of the holders of the Notes, except in accordance with the terms of the Indenture, the Intercreditor Agreement and the relevant Security Documents; or

(12) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer, the Guarantors, the Security Agent, and the Trustee (as applicable) may amend or supplement the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;

(5) to conform the text of the Indenture, the Note Guarantees, the Security Documents, or the Notes to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees, the Security Documents, or the Notes;

(6) to enter into additional or supplemental Security Documents;

(7) to release any Note Guarantee in accordance with the terms of the Indenture;

(8) to release the Collateral in accordance with the terms of the Indenture and the Security Documents;

(9) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(10) to allow any additional Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes; or

(11) to evidence and provide the acceptance of the appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or the Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officer's Certificate.

For the purpose of calculating the aggregate principal amount of Notes that have consented to or voted in favor of any amendment, supplement or waiver, the Euro Equivalent of the principal amount of Dollar Notes shall be as of the Issue Date.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

  (a) all Notes that have been authenticated and delivered, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

  (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption by the Trustee in the name, and at the expense of, the Issuer or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated by the Trustee for this purpose) as trust funds (A) in trust solely for the benefit of the holders of the Dollar Notes, cash in dollars, non-callable U.S. Government Obligations or a combination thereof or (B) in trust solely for the benefit of the holders of the Euro Notes, cash in euros, non-callable

European Government Obligations or a combination thereof, in each case, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by the Issuer and the Guarantors under the Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of independent counsel to the Trustee stating that all conditions precedent in the Indenture relating to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

Concerning the Trustee

The Issuer shall deliver written notice to the Trustee within thirty (30) days of becoming aware of the occurrence of a Default or an Event of Default. The Trustee will be permitted to engage in other transactions; *provided*, *however*, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

The Issuer and (following the Completion Date) the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without negligence, wilful misconduct or bad faith on its part, arising out of or in connection with its duties.

Listing

Application has been made to list the Notes on the Official List of the Irish Stock Exchange and to admit the Notes to trading on the Global Exchange Market. There can be no assurance that the application to list the Notes on the Official List of the Irish Stock Exchange and to admit the Notes to trading on the Global Exchange Market will be approved and settlement of the Notes is not conditioned on obtaining this listing.

Additional Information

Anyone who receives this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture, the form of Note, the Escrow Agreement, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement without charge by writing to the Issuer at its registered office at c/o Blitzstart Holding AG, Bavariaring 29, 80336 Munich, Germany.

So long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange shall so require, copies of the financial statements included in this Offering Memorandum may be obtained, free of charge, during normal business hours at the offices of the Paying Agent in Dublin.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer and each Guarantor, will appoint Rhône Group LLC, 630 Fifth Avenue, Suite 2710, New York, New York 10111, USA as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Substantially all of the assets of the Issuer and the Guarantors are outside the United States. As a result, any judgment obtained in the United States against the Issuer or any Guarantor may not be collectable within the United States. See *"Service of Process and Enforcement of Civil Liabilities"*.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Governing Law

The Indenture, the Notes and the Note Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"Acquired Debt" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Acquisition" means the acquisition of the Carbon Black Subsidiaries pursuant to the terms of the Acquisition Agreement and the China Agreement.

"Acquisition Agreement" means the share purchase agreement dated as of April 16, 2011, by and between Evonik Degussa GmbH, as seller and German Bidco, as purchaser, including any schedules attached thereto, relating to, *inter alios*, the acquisition of the Carbon Black Subsidiaries (other than the Chinese JV).

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, *"control"*, as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms *"controlling"*, *"controlled by"* and *"under common control with"* have correlative meanings.

"Agreed Security Principles" means the Agreed Security Principles as set forth in the Indenture (or a schedule thereto), as applied reasonably and in good faith by the Parent.

"Applicable Premium" means:

(1) with respect to a Dollar Note on any redemption date prior to June 15, 2014, the greater of:

(a) 1.0% of the principal amount of such Dollar Note; and

(b) the excess of :

(i) the present value at such redemption date of the redemption price of the Dollar Note at June 15, 2014 (such redemption price being set forth in the table appearing above under the caption *"—Optional Redemption"*) plus all required interest payments due on the Dollar Note through June 15, 2014 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(ii) the principal amount of the Dollar Note; and

(2) with respect to a Euro Note on any redemption date prior to June 15, 2014, the greater of:

(a) 1.0% of the principal amount of such Euro Note; and

(b) the excess of:

(i) the present value at such redemption date of the redemption price of the Euro Note at June 15, 2014 (such redemption price being set forth in the table appearing above under the caption *"—Optional Redemption"*) plus all required interest payments due on the Euro Note through June 15, 2014 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

(ii) the principal amount of the Euro Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, the calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Registrar or any Paying Agent.

"Asset Sale" means:

(1) the sale, lease, conveyance or other disposition of any assets by the Parent or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Parent and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption *"—Repurchase at the Option of Holders—Change of Control"* and/or the provisions described above under the caption *"—Certain Covenants—Merger, Consolidation or Sale of Assets"* and not by the provisions described under the caption *"—Repurchase at the Option of Holders—Asset Sales"*; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Parent or any of its Restricted Subsidiaries of Equity Interests in any of the Parent's Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €5.0 million;

(2) a transfer of assets or Equity Interests between or among the Parent and any Restricted Subsidiary;

(3) an issuance of Equity Interests by the Parent or the Issuer pursuant to an equity incentive or management compensation plan approved by the Board of Directors or by a Restricted Subsidiary to the Parent or to a Restricted Subsidiary;

(4) the sale, lease or other transfer of accounts receivable, inventory, trading stock and other assets in the ordinary course of business (including the abandonment, sale or other disposition of damaged, worn out or obsolete assets or assets or intellectual property that are, in the reasonable judgment of the Parent, no longer economically practicable to maintain or useful in the conduct of business of the Parent and its Restricted Subsidiaries taken as a whole);

(5) licenses, sublicenses, subleases, assignments or other disposition by the Parent or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Liens*";

(8) the sale or other disposition of cash or Cash Equivalents;

(9) a Restricted Payment that does not violate the covenant described above under the caption "*—Certain Covenants—Restricted Payments*", a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;

(10) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(12) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Parent or any Restricted Subsidiary to such Person) related to such assets;

(13) any unwinding or termination of Hedging Obligations not for speculative purposes; and

(14) the disposition of assets of the Parent or any Restricted Subsidiary which are seized, expropriated or compulsory purchased by or by the order of any central or local government authority and which could not be reasonably expected to have a material adverse affect on the Parent or any Restricted Subsidiary; *provided, that* any Net Proceeds received are applied in compliance with the covenant described above under the caption "*—Asset Sales*". "*Asset Sale Offer*" has the meaning assigned to that term in the Indenture governing the Notes.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act as in effect on the Issue Date, except that in calculating the beneficial ownership of any particular "*person*" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "*person*" will be deemed to have beneficial ownership of all securities that such "*person*" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "*Beneficially Owns*" and "*Beneficially Owned*" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Bund Rate*" means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "*Comparable German Bund Issue*" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to June 15, 2014, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to June 15, 2014; *provided*, *however*, that, if the period from such redemption date to June 15, 2014 is less than one year, a fixed maturity of one year shall be used;

(2) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany time on the third Business Day preceding the relevant date.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in London, Frankfurt or New York or a place of payment under the Indenture are authorized or required by law to close.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the notes thereto) prepared in accordance with IFRS, as in effect as of the Issue Date, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Carbon Black Subsidiaries*" means (a) each of Evonik Carbon Black Brasil Ltda, Evonik Compagnie Française du Carbon Black S.A.S., Evonik Carbon Black GmbH, Evonik Carbon Black Italia S.r.l., Evonik Carbon Black Korea Co. Ltd., Evonik Carbon Black Polska Sp. z.o.o., Evonik Carbogal S.A., Evonik Norcarb AB and Evonik Carbon Black LLC, and (b) each of (i) Algorax (Proprietary) Limited and (ii) Qingdao Evonik Chemical Co. Ltd., in each case, as of the date of acquisition by the Parent of beneficial ownership of 100% or a majority of the entire issued Capital Stock of such Person in accordance with the Acquisition.

"*Carbon Black Guarantors*" means each of Evonik Compagnie Française du Carbon Black S.A.S., Evonik Carbon Black GmbH, Evonik Carbon Black Italia S.r.l., Evonik Carbon Black Korea Co. Ltd., Evonik Carbon Black Polska Sp. z.o.o., Evonik Carbogal S.A., Evonik Norcarb AB and Evonik Carbon Black LLC.

"*Cash Equivalents*" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland, Australia or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union or the United States of America, Switzerland, Australia or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;

(2) (a) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less (together, the "*Bank Deposits*") from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "*A-1*" or higher by Moody's or A+ or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

    (b) in the case of Restricted Subsidiaries organized under the laws of Brazil, China, Korea or South Africa (the "*Restricted Jurisdictions*"), Bank Deposits from the date of acquisition issued by a bank or trust company (i) which has also issued Bank Deposits in which such Restricted Subsidiary is invested as of the Issue Date in the ordinary course of business and consistent with past practice; or (ii) which has capital, surplus and undivided profits aggregating in excess of €250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated Investment Grade;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) (i) following an Initial Public Offering, the Issuer becomes aware (by way of a report or any other filing pursuant to Section 13(d) of the U.S. Exchange Act, proxy, vote, written notice or otherwise) or, (ii) prior to an Initial Public Offering, if any "*person*" or "*group*" of related persons (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, has become the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, provided that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; and (y) any Voting Stock of which any Permitted Holder is the Beneficial Owner shall not be included in any Voting Stock of which any such person or group is the Beneficial Owner, unless that person or group is not an Affiliate of a Permitted Holder and has the sole voting power with respect to that Voting Stock; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Parent and its Restricted Subsidiaries taken as a whole to a person (as that term is used in Section 13(d)(3) of the U.S. Exchange Act) other than one or more Permitted Holders.

"*Change of Control Offer*" has the meaning assigned to that term in the Indenture governing the Notes.

"*China Agreement*" means the agreement dated on or about the date of the Acquisition Agreement relating to the sale and purchase of the Chinese JV and made between Evonik Degussa GmbH, as seller and German Bidco, as purchaser.

"*Chinese JV*" means Quingdao Evonik Chemical Co Ltd., a company incorporated under the laws of the People's Republic of China.

"*Collateral*" means the rights, property and assets securing the Notes and the Note Guarantees as described in the section entitled "*—Security*" and any rights, property or assets over which a Lien has been granted to secure the obligations of the Issuer and the Guarantors under the Notes, the Note Guarantees and the Indenture.

"*Completion Guarantors*" means each of Italy Bidco, France Bidco, Portugal Bidco, US Bidco, HK Bidco (if HK Bidco is incorporated as of the Completion Date), Poland Bidco, Sweden Bidco and Korea Bidco.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) provision for taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(2) the Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Parent and its Restricted Subsidiaries for such period) of the Parent and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*

(4) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (or the refinancing thereof) whether or not successful; *plus*

(5) any foreign currency transaction losses of the Parent and its Restricted Subsidiaries; *plus*

(6) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(7) (a) any unusual loss or charge, or (b) any non-cash charges or reserves in respect of any integration; *plus*

(8) any inventory holding losses of the Parent and its Restricted Subsidiaries; *plus*

(9) Management Fees payable under clause (a) of the definition thereof; *plus*

(10) all expenses incurred directly in connection with any early extinguishment of Indebtedness; *minus*

(11) any unusual gain; *minus*

(12) any foreign currency transaction gains of the Parent and its Restricted Subsidiaries; *minus*

(13) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (11) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business; *minus*

(14) any inventory holding gains of the Parent and its Restricted Subsidiaries;

in each case, on a consolidated basis and determined in accordance with IFRS.

"*Consolidated Leverage*" means, with respect to any Person as of any date of determination, the sum without duplication of (a) the total amount of Indebtedness of such Person and its Restricted Subsidiaries on a consolidated basis, *plus* (b) an amount equal to the greater of the liquidation preference or the maximum fixed redemption or repurchase price of all Disqualified Stock of such Person and all preferred stock of Restricted Subsidiaries of such Person (but not giving effect to any additional Indebtedness to be incurred on the date of determination as part of the same transaction or series of transactions pursuant to the second paragraph under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*").

"*Consolidated Leverage Ratio*" means, with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Leverage of such Person on such date to (b) the Consolidated EBITDA of such Person for such Person's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or preferred stock subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (for the purpose of this definition, the "*Calculation Date*"), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions of any Person, business or group of assets that constitutes an operating unit or division of a business that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations, amalgamations or otherwise, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries (including Persons who become Restricted Subsidiaries as a result of such increase), during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio) will be given *pro forma* effect as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of on or prior to the Calculation Date (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio), will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to an Asset Sale, Investment or acquisition, the amount of income or earnings relating thereto or the amount of Consolidated EBITDA associated therewith, the *pro forma* calculation shall be determined in good faith by a responsible financial or accounting Officer of the Parent. For the purposes of this definition and the definition of Consolidated EBITDA, the *pro forma* calculation may include anticipated expense and cost reductions and synergies as determined in good faith by a responsible financial or accounting Officer of the Parent; *provided* that the aggregate amount of all adjustments to Consolidated EBITDA made in respect of such anticipated expense and cost reductions and synergies shall not exceed 10.0% of such Person's *pro forma* Consolidated EBITDA for such period after giving effect to all other *pro forma* adjustments but before giving effect to such anticipated expense and cost reductions and synergies. In determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect will be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge or Indebtedness on such date.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiaries, except to the extent of any cash actually distributed by such Unrestricted Subsidiary to the Person or any of its Restricted Subsidiaries during such period), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) the net income or loss of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "*—Certain Covenants—Restricted Payments*", any net income or loss of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Parent (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture and (c) contractual restrictions in effect on the Issue Date with respect to such Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders of the Notes than such restrictions in effect on the Issue Date, except that the Parent's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Parent or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(3) any net gain or loss realized upon the sale or other disposition of any asset or disposed operations of the Parent or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Parent) will be excluded;

(4) any one time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Parent or its Subsidiaries will be excluded;

(5) the cumulative effect of a change in accounting principles will be excluded;

(6) any extraordinary, exceptional or nonrecurring gains or losses or any charges (in each case as determined in good faith by the Parent) will be excluded;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(8) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

(9) any goodwill or other intangible asset impairment charges will be excluded;

(10) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded; and

(11) any non-cash or capitalized interest (including accreting or pay-in-kind interest) on any Subordinated Shareholder Debt will be excluded.

"*Consolidated Senior Secured Leverage*" means, as of any date of determination, the sum of the total amount of Senior Secured Indebtedness of the Parent and its Restricted Subsidiaries on a consolidated basis.

"*Consolidated Senior Secured Leverage Ratio*" means, as of any date of determination, the ratio of (a) the Consolidated Senior Secured Leverage of the Parent on such date to (b) the Consolidated EBITDA of the Parent for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or preferred stock subsequent to the commencement of the period for which the Consolidated Senior Secured Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Leverage Ratio is made (for the purpose of this definition, the "*Calculation Date*"), then the Consolidated Senior Secured Leverage Ratio will be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period *provided, however*, that the pro forma calculation shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the definition of Permitted Debt (other than clause (16) thereof) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds of Indebtedness incurred pursuant to the provisions described in the definition of Permitted Debt (other than clause (16) thereof); provided further that the amount of Indebtedness outstanding under any revolving credit facility shall be determined based on the average daily balance outstanding during such period).

In addition, for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Parent) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date (including transactions giving rise to the need to calculate such Consolidated Senior Secured Leverage Ratio), will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to an Asset Sale, Investment or acquisition, the amount of income or earnings relating thereto or the amount of Consolidated EBITDA associated therewith, the *pro forma* calculation shall be determined in good faith by a responsible financial or accounting Officer of the Parent. For the purposes of this definition and the definition of Consolidated EBITDA, the *pro forma* calculation may include anticipated expense and cost reductions and synergies as determined in good faith by a responsible financial or accounting Officer of the Parent; *provided* that the aggregate amount of all adjustments to Consolidated EBITDA made in respect of such anticipated expense and cost reductions and synergies shall not exceed 10.0% of such Person's *pro forma* Consolidated EBITDA for such period after giving effect to all other *pro forma* adjustments but before giving effect to such anticipated expense and cost reductions and synergies. In determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect will be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge or Indebtedness on such date.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

    (a) for the purchase or payment of any such primary obligation; or

    (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Credit Facilities*" means, with respect to the Parent or any of its Subsidiaries, one or more debt facilities, instruments or arrangements (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "*Credit Facilities*" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Parent as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder (provided that such Subsidiaries are or become Guarantors of the Notes) or (4) otherwise altering the terms and conditions thereof.

"*Currency Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the Fair Market Value of non-cash consideration received by the Parent or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "*Designated Non-Cash Consideration*" pursuant to an Officers' Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 90 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"*Dollar*" or "*$*" or "*U.S.$*" means the lawful currency of the United States of America.

"*ECB Brazil*" means Evonik Carbon Black Brasil Ltda., a company incorporated under the laws of Brazil.

"*Equity Contribution*" means the amount of Equity Interests and Subordinated Shareholder Debt of the Parent subscribed by the Equity Investors in connection with the Acquisition.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Investors*" means each of (i) Rhône Capital III L.P., Rhône Capital IV L.P. and their respective Affiliates (not including, however, any portfolio companies of any of the Equity Investors, other than entities in which the Equity Investors (other than Affiliates) beneficially own in the aggregate a majority (or more) voting interest and are established to solely hold, directly or indirectly, interests in the Issuer) from time to time or any investment vehicle, trust, fund, company or partnership owned, managed or advised by any of Rhône Capital III L.P., Rhône Capital IV L.P. or any such Affiliate (the "*Rhône Investors*") and (ii) Triton Managers III Limited, TFF III Limited, and Triton Partners (Holdco) Limited (together "*Triton III*") and their respective Affiliates (not including, however, any portfolio companies of any of the Equity Investors, other than entities in which the Equity Investors (other than Affiliates) beneficially own in the aggregate a majority (or more) voting interest and are established to solely hold, directly or indirectly, interests in the Issuer) or any fund that has indirectly or directly any of Triton III as a general partner or any investment vehicle, trust, fund, company or partnership owned, managed or advised by any of Triton III or any such Affiliate (the "*Triton Investors*").

"*Equity Offering*" means a sale (other than to the Parent or any of its Subsidiaries) of Capital Stock (x) that is a sale of Capital Stock of the Parent (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions, or (y) the proceeds of which are contributed as Subordinated Shareholder Debt or to the equity (other than through the issuance of Disqualified Stock) of the Issuer or any Guarantor.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "*Escrowed Proceeds*" shall include any interest earned on the amounts held in escrow.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by translating such other currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable other currency as published in *The Financial Times* (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, a comparable source as may be selected in good faith by the Issuer) on the date two Business Days prior to such determination.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a member state of the European Union, and the payment for which such member state of the European Union pledges its full faith and credit.

"*Excluded Contributions*" means the net cash proceeds received by the Issuer after the Issue Date from:

(1) capital contributions to its equity (other than through the issuance of Disqualified Stock); and

(2) the sale (other than to a Subsidiary of the Issuer) of Capital Stock (other than Disqualified Stock) of the Issuer,

in each case designated as "*Excluded Contributions*" pursuant to an Officers' Certificate of the Issuer (which shall be designated no later than the date on which such Excluded Contribution has been received by the Issuer), the net cash proceeds of which are excluded from the calculation set forth in the clause (c)(ii) of the covenant described under "*Certain Covenants—Restricted Payments*" hereof.

"*Excluded Joint Venture*" means (a) any corporation, association or other business entity (other than a partnership) that, in each case, is engaged in a Permitted Business in the U.S. and Canada and of which no more than 80% of the total equity and total Voting Stock is at the time of determination, owned or controlled, directly or indirectly, by the Parent or one or more Restricted Subsidiaries or a combination thereof and (b) any partnership, joint venture, limited liability company or similar entity that, in each case, is engaged in a Permitted Business in the U.S. and Canada and of which no more than 80% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are at the time of determination, owned or controlled, directly or indirectly, by the Parent or one or more Restricted Subsidiaries or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise; *provided*, *however*, that the "*person(s)*" or "*group*" of related persons which own or control, directly or indirectly, the remaining 20% stock or interests of an Excluded Joint Venture shall not be one or more Permitted Holders or an Affiliate thereof.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Parent's Chief Executive Officer, Chief Financial Officer or responsible accounting or financial officer of the Parent.

"*Finance Subsidiary*" means a wholly owned subsidiary that is formed for the purpose of borrowing funds or issuing securities and lending the proceeds to the Issuer or a Guarantor and that conducts no business other than as may be reasonably incidental to, or related to, the foregoing.

"*Fixed Charge Coverage Ratio*" means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (for the purposes of this definition, the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Parent) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period *provided, however*, that the pro forma calculation shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the definition of Permitted Debt (other than clause (16) thereof) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds of Indebtedness incurred pursuant to the provisions described in the definition of Permitted Debt (other than clause (16) thereof); provided further that the amount of Indebtedness outstanding under any revolving credit facility shall be determined based on the average daily balance outstanding during such period).

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Parent) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest and such Indebtedness is to be given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

For the purposes of this definition and the definition of Consolidated EBITDA, the *pro forma* calculation may include anticipated expense and cost reductions and synergies as determined in good faith by a responsible financial or accounting Officer of the Parent; *provided* that the aggregate amount of all adjustments to Consolidated EBITDA made in respect of such anticipated expense and cost reductions and synergies shall not exceed 10.0% of such Person's *pro forma* Consolidated EBITDA for such period after giving effect to all other *pro forma* adjustments but before giving effect to such anticipated expense and cost reductions and synergies.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, whether or not, paid, received or accrued, including, without limitation, amortization of debt discount (but not deferred financing fees, debt issuance costs, commissions, fees and expenses), non-cash interest expense (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings; *plus*

(2) the consolidated interest expense of such Person and its Subsidiaries which are Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries; *plus*

(4) net payments and receipts (if any) pursuant to interest rate Hedging Obligations (excluding amortization of fees) with respect to Indebtedness; *plus*

(5) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Parent or a Restricted Subsidiary, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Parent; *minus*

(6) (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Parent Holdco of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS and (iv) interest in respect of any Subordinated Shareholder Debt.

"*German Bidco*" means Kinove German Bidco GmbH.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

"*Guarantor*" means each of:

(a) the Parent, Luxco2;

(b) each Subsidiary Guarantor; and

(c) any other Person that is required to execute a Note Guarantee in accordance with the provisions of the Indenture,

until (i) the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture or (ii) a successor replaces such Person pursuant to the applicable provisions of the Indenture and, thereafter, shall mean such successor.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

"*IFRS*" means International Financial Reporting Standards as endorsed by the European Union and in effect on the Issue Date or, with respect to the covenant described under the caption "*Reports*" at the option of the Parent, as in effect from time to time.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence), *provided* that any counter-indemnity or reimbursement obligation under a letter of credit shall be considered Indebtedness only to the extent that the underlying obligation in respect of which the letter of credit has been issued would also be Indebtedness;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed; and

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the notes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term "*Indebtedness*" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

The term "*Indebtedness*" shall not include:

(1) Subordinated Shareholder Debt;

(2) anything accounted for as an operating lease under IFRS as in effect on the Issue Date and any guarantee solely in connection with, and in respect of any operating lease;

(3) Contingent Obligations in the ordinary course of business;

(4) in connection with the purchase by the Parent or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined and due and payable, the amount is paid within 30 days thereafter;

(5) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; or

(6) Indebtedness pursuant to performance bonds or advance payment bonds issued in respect of the obligations of any Restricted Subsidiary for the supply of goods or services arising in the ordinary course of business for such Restricted Subsidiary, in each case, to the extent that no demand has been made in respect of such Indebtedness.

"*Initial Guarantors*" means, collectively, Luxco2, the Parent and German Bidco.

"*Initial Public Offering*" means the first Public Equity Offering of common stock or common equity interests of the Parent or any Parent Holdco of the Parent (the "*IPO Entity*") following which there is a Public Market.

"*Intercreditor Agreement*" means the intercreditor agreement dated June 10, 2011, made between, among others, the Issuer, the Parent, German Bidco, UBS Limited, as agent under the Revolving Credit Facility, and the Security Agent, as amended, restated or otherwise modified or varied from time to time and as acceded to by the Trustee.

"*Investment Grade*" means a rating of BBB- or higher by S&P and Baa3 or higher by Moody's or the equivalent of such ratings by S&P or Moody's and the equivalent of such rating from any other Rating Agencies substituted for S&P or Moody's.

"*Investment Grade Status*" shall occur when the Notes are rated Baa3 or better by Moody's and BBB- or better by S&P (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other Rating Agency).

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the notes) prepared in accordance with IFRS. If the Parent or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Parent will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Parent's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". The acquisition by the Parent or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Parent or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"*Issue Date*" means June 22, 2011.

"*Joint Venture*" means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or another entity which, in each case, is not the Parent, a Restricted Subsidiary or an Unrestricted Subsidiary, including, without limitation, each of Deutsche Gasrußwerke Gesellschaft mit beschränkter Haftung and Kommanditgesellschaft Deutsche Gasrußwerke GmbH & Co.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"*Luxco2*" means Kinove Luxembourg Holdings 2 S.à r.l.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees, managers or consultants of the Parent or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €5.0 million in the aggregate outstanding at any time.

"*Management Fees*" means:

(a) customary annual fees for the performance of monitoring services by Equity Investors or any of their respective Affiliates for the Parent or any Restricted Subsidiary; *provided* that such fees will not, in the aggregate, exceed €3.0 million per annum (inclusive of out of pocket expenses); and

(b) customary fees and related expenses for the performance of transaction, management, consulting, financial or other advisory services or underwriting, placement or other investment banking activities, including in connection with mergers, acquisitions, dispositions or joint ventures, by the Equity Investors or any of their respective Affiliates for the Parent or any of its Restricted Subsidiaries, which payments in respect of this clause (b) have been approved by a majority of the disinterested members of the Board of Directors of the Parent.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend *multiplied by* (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Proceeds*" means the aggregate cash proceeds received by the Parent or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any Designated Non-Cash Consideration or other consideration received in non-cash form or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale and the sale of such Designated Non-Cash Consideration or other consideration received in non-cash form, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and all distributions and other payments required to be made to minority interest holders (other than the Parent or any Subsidiary) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"*Non-Recourse Debt*" means Indebtedness as to which neither the Parent nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly or indirectly liable as a guarantor or otherwise.

"*Note Guarantee*" means the Guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Offering Memorandum*" means the offering memorandum in relation to the Notes dated June 17, 2011.

"*Officer*" means, with respect to any Person, (1) the Chief Executive Officer, the Chief Financial Officer, the Treasurer, the Secretary or any Vice-President of (a) such Person or (b) if such Person is owned or managed by a single entity, of such entity or (2) any other individual designated as an "*Officer*" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means a certificate signed by an Officer.

"*Parent*" means Kinove German Holdings GmbH.

"*Parent Holdco*" means any Person (other than a natural person) which legally and beneficially owns more than 50% of the Voting Stock and/or Capital Stock of another Person, either directly or through one or more Subsidiaries.

"*Permitted Business*" means (i) any business, services or activities engaged in by the Carbon Black Subsidiaries on the Issue Date and (ii) any business, services or activities engaged in by the Parent or any of its Restricted Subsidiaries (including the Carbon Black Subsidiaries) that are related, complementary, incidental, ancillary or similar to any of the foregoing, or are extensions or developments of any thereof.

"*Permitted Collateral Liens*" means:

(1) Liens on the Collateral arising by operation of law that are described in one or more of clauses (4), (7), (8), (9), (13), (14), (15), (17), (18), (19), (20) and (21) of the definition of Permitted Liens and that, in each case, would not materially interfere with the ability of the Security Agent to enforce any Lien over the Collateral;

(2) Liens on the Collateral to secure the Notes (and the Note Guarantees) or any Additional Notes (or any guarantee of Additional Notes) and any Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of Permitted Refinancing Indebtedness); *provided* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided, further,* that all property and assets (including, without limitation, the Collateral) securing such Additional Notes (or any guarantee of Additional Notes) or Permitted Refinancing Indebtedness secures the Notes or the Note Guarantees on a senior or *pari passu* basis;

(3) Liens on the Collateral to secure (i) Indebtedness under Credit Facilities that is permitted by clause (1) of the definition of Permitted Debt and is incurred by a Guarantor and (ii) Senior Secured Indebtedness of the Issuer and the Guarantors permitted by the first paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" and Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness); *provided* that, in each case, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Note Guarantees (which security, in the case of Indebtedness to be incurred pursuant to clause (1) of the definition of Permitted Debt may rank junior with respect to distributions of proceeds of any enforcement of Collateral); *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) Liens on the Collateral securing the Parent's or any Restricted Subsidiary's obligations under Hedging Obligations permitted by clause (8) of the definition of Permitted Debt and such Indebtedness is also secured by the Collateral, *provided* that the property and assets (including, without limitation, the Collateral) securing such Indebtedness or Hedging Obligations will also secure the Notes or the Note Guarantees (which security may rank junior with respect to distributions of proceeds of any enforcement of Collateral), *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(5) Liens on the Collateral to secure Indebtedness permitted by clause (17) of the definition of Permitted Debt in an aggregate principal amount at any time outstanding not to exceed €25.0 million, *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Note Guarantees; *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(6) Liens on the Collateral securing Indebtedness permitted by clause (4) of the definition of Permitted Debt and limited to the assets acquired with or financed by the incurrence of such Indebtedness; and

(7) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (6) above; *provided* that any such extension, renewal or replacement will rank equal or junior to the Lien so extended, renewed or replaced and will not extend in any material respect to any additional property or assets and the Collateral securing such Lien secures the Notes and the Note Guarantees on a senior or *pari passu* basis.

"Permitted Holders" means, collectively, (1) the Equity Investors, (2) the Related Parties and (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of the Parent or any Parent Holdco of the Parent, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"Permitted Investments" means:

(1) any Investment in the Parent or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Parent or any Restricted Subsidiary in a Person, if as a result of such Investment:

 (a) such Person becomes a Restricted Subsidiary; or

 (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Parent or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption *"—Repurchase at the Option of Holders—Asset Sales"*;

(5) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Parent or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;

(6) Investments in receivables owing to the Parent or any Restricted Subsidiary created or acquired in the ordinary course of business;

(7) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant entitled *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"*;

(8) Investments in the Notes and any other Indebtedness of the Parent or any Restricted Subsidiary;

(9) any Guarantee of Indebtedness permitted to be incurred by the covenant described above under the caption *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"* (other than Indebtedness of an Excluded Joint Venture);

(10) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(11) Investments acquired after the Issue Date as a result of the acquisition by the Parent or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Parent or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain*

Covenants—Merger, Consolidation or Sale of Assets" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(12) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "*Permitted Liens*" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(13) any Investment to the extent made using as consideration Capital Stock of the Parent (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Holdco;

(14) Management Advances;

(15) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed €25.0 million; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "*—Certain Covenants—Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of "*Permitted Investments*" and not this clause (15);

(16) Investments in joint ventures of the Parent or any of its Restricted Subsidiaries in an aggregate amount when taken together with all other Investments made pursuant to this clause (16) that are at any time outstanding not to exceed the greater of €20.0 million and 2.5% of Total Assets; *provided*, *however*, that if any Investment pursuant to this clause (16) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (16) for so long as such Person continues to be a Restricted Subsidiary;

(17) any Investment in connection with a Qualified Receivables Transaction, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Receivables Transaction or any related Indebtedness; and

(18) the acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Parent or Subordinated Shareholder Debt.

"*Permitted Joint Venture*" means any Joint Venture existing as of the Issue Date and any Investment that does not violate the provisions of the Indenture described above under the caption "*—Certain Covenants—Restricted Payments*" in a Joint Venture carrying out a Permitted Business, where the aggregate of:

(i) all amounts subscribed for Capital Stock in, lent to, or invested in all such Joint Ventures by the Parent or any Restricted Subsidiary;

(ii) the contingent liabilities of the Parent or any Restricted Subsidiary under any guarantee given in respect of the liabilities of any such Joint Venture; and

(iii) the market value of any assets transferred by the Parent or any Restricted Subsidiary to any such Joint Venture (other than assets provided on arm's length terms and paid for in cash at the time of transfer),

but less the aggregate of:

(A) all cash amounts received by the Parent or any Restricted Subsidiary in respect of (x) repayments, redemptions, interest or distributions, in each case from any Permitted Joint Venture and (y) net proceeds of disposals of shares in any Permitted Joint Venture; and

(B) in respect of a Permitted Joint Venture which has become a Restricted Subsidiary, the sum of: (y) the aggregate amounts referred to in paragraphs (i), (ii) and (iii) above incurred after the Issue Date in respect of that Permitted Joint Venture minus (z) the aggregate amounts referred to in paragraph (A) above received from or in respect of that Permitted Joint Venture,

does not at any time exceed €25.0 million in aggregate.

"*Permitted Liens*" means:

(1) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(2) Liens in favor of the Parent or any of the Restricted Subsidiaries;

(3) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Parent or any Restricted Subsidiary; *provided* that such Liens secure Indebtedness permitted to be incurred by the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Parent or any Restricted Subsidiary;

(4) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, leases (including, without limitation, statutory and common law landlord liens), performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(5) Liens to secure Indebtedness permitted by clause (4) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" covering only the assets acquired with or financed by such Indebtedness;

(6) Liens existing on the Issue Date;

(7) Liens for taxes, assessments or governmental charges or claims that (x) are not yet due and payable or (y) are being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as will be required in conformity with IFRS will have been made;

(8) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(9) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(10) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(11) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(12) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided*, *however*, that:

    (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(13) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(14) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under applicable jurisdiction) in connection with operating leases in the ordinary course of business;

(15) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(16) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(17) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(18) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;

(19) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(20)(a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Parent or any Restricted Subsidiary has easement rights or on any real property leased by the Parent or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(21) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(23) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(24) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(25) Liens on any proceeds loan made by the Parent or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Indenture and securing that Indebtedness;

(26) Permitted Collateral Liens;

(27) Liens to secure Indebtedness permitted to be incurred in accordance with clause (18) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(28) Liens on Receivables and related assets of the type described in the definition of "*Qualified Receivables Transaction*" incurred in connection with a Qualified Receivables Transaction; and

(29) Liens incurred in the ordinary course of business of the Parent or any Restricted Subsidiary securing Indebtedness of the Parent or its Restricted Subsidiaries that does not exceed €10 million at any one time outstanding.

"*Permitted Parent Payments*" means, the declaration and payment of dividends or other distributions, or the making of loans, by the Parent or any of its Restricted Subsidiaries to any Parent Holdco of the Parent in amounts and at times required to pay:

(1) franchise fees and other fees, taxes and expenses required to maintain the corporate existence of any Parent Holdco of the Parent;

(2) general corporate overhead expenses of any Parent Holdco to the extent such expenses are attributable to the ownership or operation of the Parent and its Restricted Subsidiaries or related to the proper administration of such Parent Holdco (including fees and expenses properly incurred in the ordinary course of business to auditors and legal advisors and payments in respect of services provided by directors, officers or employees);

(3) any income taxes, to the extent such income taxes are attributable to the income of the Parent and any of its Restricted Subsidiaries, taking into account any net operating loss carryovers and other tax attributes, and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided*, such Parent Holdco shall promptly pay such taxes or refund such amount to the Parent;

(4) costs (including all professional fees and expenses) incurred by any Parent Holdco in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Parent or any of its Restricted Subsidiaries, including in respect of any reports filed with respect to the U.S. Securities Act, U.S. Exchange Act or the respective rules and regulations promulgated thereunder;

(5) fees and expenses of any Parent Holdco incurred in relation to any public offering or other sale of Capital Stock or Indebtedness (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Parent or any of its Restricted Subsidiaries; (b) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Holdco will cause the amount of such expenses to be repaid to the Parent or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed;

(6) customary indemnification obligations owing by any Parent Holdco to directors, officers, employees or other Persons under any charter or by-laws or pursuant to written agreements with any such Person; and

(7) (in the case of this clause (7)) not to exceed €1 million in any 12 month period.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Parent or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Parent or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually, subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, on terms at least as favorable to the holders of Notes or the Note Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Issuer, a Finance Subsidiary or by a Guarantor.

"*Permitted Reorganization*" means any of the transactions set forth in the Tax Structure Memorandum.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Post-Completion Date*" means the date that is 45 days following the Completion Date.

"*Post-Completion Guarantors*" means each of the Carbon Black Guarantors.

"*Pre-Expansion European Union*" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"*Primary Acquisition*" means completion of the acquisition of 100% of the entire issued Capital Stock of each of Evonik Carbon Black Brasil Ltda., Evonik Compagnie Française du Carbon Black S.A.S., Evonik Carbon Black GmbH, Evonik Carbon Black Italia S.r.l., Evonik Carbon Black Korea Co. Ltd., Evonik Carbon Black Polska Sp. z.o.o., Evonik Carbogal S.A., Evonik Norcarb AB and Evonik Carbon Black LLC, in accordance with the Acquisition Agreement.

"*Public Equity Offering*" means, with respect to any Person, a bona fide underwritten primary public offering of the shares of common stock or common equity interests of such Person, either:

(1) pursuant to a flotation on the main market of the London Stock Exchange or any other nationally recognized regulated stock exchange or listing authority in a member state of the Pre-Expansion European Union; or

(2) pursuant to an effective registration statement under the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan).

"*Public Market*" means any time after:

(1) a Public Equity Offering of the IPO Entity has been consummated; and

(2) at least 20% of the total issued and outstanding shares of common stock or common equity interests of the IPO Entity has been distributed to investors other than the Permitted Holders or their Related Parties or any other direct or indirect shareholders of the Parent as of the Issue Date.

"*Purchase Money Note*" means a promissory note of a Receivables Entity evidencing the deferred purchase price of Receivables (and related assets) and/or a line of credit, which may be irrevocable, from the Parent or any Restricted Subsidiary in connection with a Qualified Receivables Transaction with a Receivables Entity, which deferred purchase price or line is repayable from cash available to the Receivables Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated Receivables.

"*Qualified Receivables Transaction*" means any transaction or series of transactions that may be entered into by the Parent or any of its Restricted Subsidiaries pursuant to which the Parent or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Entity (in the case of a transfer by the Parent or any of its Restricted Subsidiaries) and (2) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any Receivables (whether now existing or arising in the future) of the Parent or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving Receivables.

"*Rating Agencies*" means:

(1) S&P; and

(2) Moody's; or

(3) if S&P or Moody's or both shall not make a rating of the Notes publicly available, despite the Issuer using its commercially reasonable efforts to obtain such a rating, a "*nationally recognized statistical rating organization*" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act, as the case may be, selected by the Issuer, which shall be substituted for S&P or Moody's or both, as the case may be.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods and services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an "*account*", "*chattel paper*", "*payment intangible*", or "*instrument*" under the Uniform Commercial Code as in effect in the State of New York and any "*supporting obligations*" as so defined.

"*Receivables Entity*" means a Wholly Owned Subsidiary (or another Person formed for the purpose of engaging in a Qualified Receivables Transaction in which the Parent or any Subsidiary of the Parent makes an Investment and to which the Parent or any Subsidiary of the Parent transfers Receivables and related assets) in which the Parent or any Restricted Subsidiary makes an Investment and to which the Parent or any Restricted Subsidiary transfers Receivables and related assets) which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors of the Parent (as provided below) as a Receivables Entity:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) or which:

  (a) is guaranteed by the Parent or any Restricted Subsidiary (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

  (b) is recourse to or obligates the Parent or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or

  (c) subjects any property or asset of the Parent or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Parent nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms no less favorable to the Parent or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Parent, other than fees payable in the ordinary course of business in connection with servicing Receivables; and

(3) to which neither the Parent nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels or operating results.

Any such designation by the Board of Directors of the Parent shall be evidenced to the Trustee by promptly filing with the Trustee a certified copy of the resolution of the Board of Directors of the Parent giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions.

"*Related Party*" means:

(1) any controlling stockholder, partner or member or immediate family member (in the case of an individual) of any Equity Investor; or

(2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding more than a 50% controlling interest of which consist of any one or more Equity Investors and/or such other Persons referred to in the immediately preceding clause.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Parent that is not an Unrestricted Subsidiary, an Excluded Joint Venture or, as of the date they become Subsidiaries of the Parent, each of Deutsche Gasrußwerke Gesellschaft mit beschränkter Haftung and Kommanditgesellschaft Deutsche Gasrußwerke GmbH & Co.

"*Revolving Credit Facility*" means the revolving credit facility agreement dated as of June 10, 2011 between, inter alios, the Issuer, the Parent, German Bidco, the original lenders (as named therein) and UBS Limited, as security agent and UBS Limited as agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Rütgers Supply Agreement*" means the supply agreement for the supply of coal tar derived carbon black oil entered into between Rütgers Basic Aromatics GmbH and Evonik Degussa GmbH, and effective from January 1, 2008 through December 31, 2012.

"*S&P*" means Standard & Poor's Ratings Group.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments and other instruments and documents executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of the Security Agent for the ratable benefit of the holders of the Notes and the Trustee or notice of such pledge, assignment or grant is given.

"*Senior Management*" means the Officers, directors and other members of senior management of the Parent or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, the Capital Stock of the Parent or any Parent Holdco.

"*Senior Secured Indebtedness*" means, as of any date of determination, the principal amount of any Indebtedness that is secured by a Lien and any Indebtedness of a Restricted Subsidiary that is not a Guarantor.

"*Significant Subsidiary*" means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries which are Restricted Subsidiaries (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Parent or (ii) as of the end of the most recent fiscal year, was the owner of more than 10% of Total Assets.

"*South African JV"* means Algorax (Proprietary) Limited, a company incorporated under the laws of the Republic of South Africa.

"*Standard Securitization Undertakings*" means representations, warranties, covenants and indemnities entered into by the Parent or any Restricted Subsidiary which are reasonably customary in securitization of Receivables transactions.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Shareholder Debt*" means, collectively, any debt provided to the Parent by any direct or indirect parent of the Parent or any Permitted Holder or Related Party, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Parent (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(4) is not secured by a lien on any assets of the Parent or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Parent;

(5) pursuant to its terms or to the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to holders of the Notes than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "*Subordinated Liabilities*" (as defined therein);

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Indenture;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Parent;

provided, however, that if any event or circumstance results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Parent, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Subsidiary Guarantor*" means each of:

(a) each Initial Guarantor, but excluding the Parent and Luxco2;

(b) each Completion Guarantor;

(c) each Post-Completion Guarantor; and

(d) any other Person which is a Guarantor of the Notes, including any Person that is required to execute a Note Guarantee in accordance with the provisions of the Indenture (including, for the avoidance of doubt, HK Bidco, if it is incorporated after the Completion Date),

until (i) the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture or (ii) a successor replaces such Person pursuant to the applicable provisions of the Indenture and, thereafter, shall mean such successor.

"*Successor Parent*" means the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer provided that more than 50% of the total voting power of the Voting Stock of such Successor Parent is directly or indirectly beneficially owned by a Permitted Holder and the Successor Parent assumes the obligations of the Parent under the Parent's Note Guarantee. For purposes hereof, "*beneficially own*" has the meaning correlative to the term "*beneficial owner*", as such term is defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act (as in effect on the Issue Date).

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax). "*Taxes*" and "*Taxation*" shall be construed to have corresponding meanings.

"*Tax Structure Memorandum*" means the structure paper entitled "*Project Casablanca—tax steps paper*" and dated April 17, 2011, describing the Parent and each of its Subsidiaries from time to time (including the Carbon Black Subsidiaries) and the Primary Acquisition and prepared by KPMG LLP UK in the agreed form together with any updates thereto or reissuances thereof that are provided in accordance with the terms of the Revolving Credit Facility to the extent any such updates or reissuances do not have a material adverse effect on the rights of holders of the Notes.

"*Total Assets*" means the total assets of the Parent and its Restricted Subsidiaries, calculated on a consolidated basis in accordance with IFRS, as shown on the most recent balance sheet (excluding the notes thereto) of the Parent.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to June 15, 2014; *provided*, *however*, that if the period from the redemption date to June 15, 2014 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to June 15, 2014 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"*Unrestricted Subsidiary*" means any Subsidiary of the Parent (other than the Issuer or any successor to the Issuer) that is designated by the Board of Directors of the Parent as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that and for so long as such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "*—Certain Covenants—Transactions with Affiliates*", is not party to any agreement, contract, arrangement or understanding with the Parent or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Parent or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Parent; and

(3) is a Person with respect to which neither the Parent nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

"*U.S. Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended.

"U.S. Government Obligations" means securities that are (a) direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America, for the timely payment of which its full faith and credit is pledged or (b) obligations (or certificates representing an ownership interest in such obligations) of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, rated at least "*A-1*" by S&P or "*P-1*" by Moody's, and which are not callable or redeemable at the option of the issuer thereof.

"*U.S. Securities Act*" means the U.S. Securities Act of 1933, as amended.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amounts of such Indebtedness.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary, all of the Capital Stock of which (other than director's qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Parent or another Wholly Owned Subsidiary) is owned by the Parent or another Wholly Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes sold outside the United States to non-U.S. persons in Reliance on Regulation S will initially be represented by the Regulation S Global Notes. The Euro Regulation S Global Notes will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. The Dollar Regulation S Global Notes will be deposited, on the issue date, with a custodian for DTC and registered in the name Cede & Co. as nominee of DTC.

Notes sold to QIBs pursuant to Rule 144A will initially be represented by the Rule 144A Global Notes. The Euro Rule 144A Global Notes will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. The Dollar Rule 144A Global Notes will be deposited, on the issue date, with the custodian for DTC and registered in the name of Cede & Co. as nominee of DTC.

Book-Entry Interests will be limited to persons who have accounts with DTC, Euroclear and/or Clearstream or persons who hold interests through such participants. DTC, Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by DTC, Euroclear or Clearstream, as applicable and their respective participants. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive definitive notes in registered form. Instead, DTC, Euroclear and Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of notes take physical possession of such notes in definitive form. The foregoing limitations may impair your ability to own, transfer, pledge or grant any other security interest in Book-Entry Interests.

So long as the Notes are held in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Global Notes for any purpose. So long as the Notes are held in global form, DTC, the common depositary for Euroclear and/or Clearstream, or their respective nominees, as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture governing the Notes. As such, participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of DTC, Euroclear, Clearstream and the participants through which they own Book-Entry Interests to transfer their interests in or to exercise any rights of holders under the Indenture.

None of the Issuer, the Guarantors or the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(a) if DTC, Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(b) if the owner of a Book-Entry Interest requests such exchange in writing delivered through either DTC, Euroclear or Clearstream following an event of default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

DTC, Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in clause (b) above, their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will, with the assistance of the Registrar, issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC, Euroclear, Clearstream or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Guarantors, the Trustee, the Paying Agents and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Registrar, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and Clearstream, as applicable.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, DTC, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear and/or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of DTC, Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions), by using a pooling factor, by lot or on such other basis as they deem fair and appropriate; *provided, however,* that no Book-Entry Interest of less than €100,000 or $200,000 principal amount, as applicable, may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent. The relevant Paying Agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and Clearstream (in the case of the Euro Global Notes) and to DTC or its nominee (in the case of the Dollar Global Notes), which will distribute such payments to participants in accordance with their respective customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts*". If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*", the Issuer will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Guarantors, the Trustee, the Registrar and the Paying Agents will treat the registered holder of the Global Notes (*e.g.*, DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Guarantors, the Trustee, the Registrar or the Paying Agents, or any of its or their respective agents, has or will have any responsibility or liability for:

- any aspect of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;

- DTC, Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes, will be paid to holders of interest in such Notes (the "*Euroclear/Clearstream Holders*") through Euroclear and/or Clearstream in Euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interest in such Notes (the "*DTC Holders*") through DTC in U.S. Dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Global Notes in U.S. Dollars.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Global Notes in U.S. Dollars in accordance with Euroclear or Clearstream's customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder's election. All costs of conversion resulting from any such election will be borne by such holder.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar Global Notes in Euro in accordance with DTC's customary procedures, which include, among other things, giving to DTC a notice of such holder's election to receive payments in Euro. All costs of conversion resulting from any such election will be borne by such holder.

Action by Owners of Book-Entry Interests

DTC, Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, DTC, Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in DTC, Euroclear and Clearstream will be effected in accordance with DTC, Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of securities or to pledge such securities, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of DTC, Euroclear and Clearstream and in accordance with the procedures set out in the Indenture.

The Global Notes will bear a legend to the effect set out under "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*". Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions. Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act or any other exemption (if available under the Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer Restrictions*".

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Guarantors or the Initial Purchasers are responsible for those operations or procedures and none of the Issuer, the Guarantors or the Initial Purchasers have any duty to update this summary.

The Issuer understands as follows with respect to DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a ''banking organization'' within the meaning of the New York Banking Law, a member of the Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code, and a ''clearing agency'' registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC's direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (''*DTCC*''). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

The Issuer understands as follows with respect to Euroclear and Clearstream. Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market thereof. Transfers of interests in the Global Notes between participants in DTC, Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Trustee, the Registrar or the Paying Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in Euro or U.S. Dollars, as applicable. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of DTC, Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where the accounts of both the purchaser and the seller are located to ensure that settlement can be made on the desired value date.

CERTAIN TAXATION CONSIDERATIONS

If you are a prospective investor, you should consult your tax advisors on the possible tax consequences of buying, holding or selling any Notes under the laws of your country of citizenship, residence or domicile. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as in effect as of the date of this offering memorandum. These tax laws (and interpretations thereof) are subject to change, possibly with retroactive effect.

Withholding Tax in the Federal Republic of Germany

This section summarises the deduction of withholding tax to be made under German law from the proceeds of the investment in the Notes. It is based on the laws in force on the date of this offering memorandum, of general nature only and neither intended as, nor to be understood as, legal or tax advice. Any information given hereafter reflects the opinion of the Issuer and must not be misunderstood as a representation or guarantee with regard to potential tax deductions. Further, the withholding tax consequences depend on the individual facts and circumstances at the level of the investor and may be subject to future changes in law (possibly with retroactive effect).

For German tax resident investors (*e.g.*, persons whose residence or habitual abode is located in Germany) holding the Notes as private assets, coupon payments on the Notes are taxed as investment income (*Einkünfte aus Kapitalvermögen*) at a 25% flat tax (*Abgeltungsteuer*) (plus a 5.5% solidarity surcharge thereon and (if applicable) church tax). The flat tax is generally collected by way of withholding tax and generally satisfies the private investor's tax liability with respect to the Notes, provided that the Notes are held in custody with a German custodian who is required to deduct the withholding tax from such coupon payments (the "*Disbursing Agent*").

Disbursing Agents are German resident credit institutions, financial services institutions (including German permanent establishments of foreign institutions), securities trading companies or securities trading banks.

If no or not sufficient tax was withheld the investor will have to include the interest coupon received with respect to the Notes in its income tax return and the flat tax will then be raised by way of tax assessment. The investor may also opt for tax assessment of its investment income in its income tax return if the aggregated amount of tax withheld on investment income during the year exceeded the investor's aggregated flat tax liability on investment income (*e.g.*, because of an available loss carry forward or a foreign tax credit). If the investor's total income tax liability on all taxable income including the investment income determined by generally applicable graduated income tax rates is lower than 25%, the investor may opt to be taxed at graduated rates with respect to its investment income.

The withholding tax is not applied if the total investment income of a private investor does not exceed the lump-sum deduction (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly). The lump-sum deduction is taken into account for purposes of the withholding tax, provided that the investor files a withholding tax exemption request (*Freistellungsauftrag*) with the respective Disbursing Agent who keeps or administers the Notes. Expenses actually incurred are not deductible. No withholding tax is deducted if the investor submits to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

The withholding tax regime generally also applies to any gains from the sale or redemption (including make-whole amounts) of Notes realized by investors holding the Notes as private (and not as business) assets in custody with a Disbursing Agent. Subject to exceptions, the amount of capital gains on which the withholding tax charge is applied is generally equal to the difference between the proceeds received upon the disposition or redemption of the Notes (after the deduction of actual expenses directly related thereto) and the acquisition costs, provided that, if the notes have not been kept in a custodial account with the same Disbursing Agent since their acquisition by the holder, deemed capital gains in the amount of 30% of the disposal proceeds may be subject to withholding tax, unless the Disbursing Agent is provided with evidence of the actual acquisition costs for the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Union, European Economic Area or a contracting state of the EU Savings Directive.

German resident corporate and other German resident investors that hold the note as part of their business assets are generally not subject to withholding tax on gains from the disposition, sale or redemption of the Notes. For these investors, only coupon payments, but not gains from the sale or redemption of the Notes, are subject to the withholding tax regime (subject to certain formalities).

Coupon payments and capital gains from the disposition or redemption of the Notes held as business assets by German tax resident business investors are generally subject to German income tax or corporate income tax. Any withholding tax deducted from coupon payments is, subject to certain requirements, creditable. To the extent the amount withheld exceeds the (corporate) income tax liability, the withholding tax will, as a rule, be refunded. The coupon payments and capital gains will also be subject to trade tax if the Notes are attributable to a trade or business.

Subject to further requirements, German tax non-residents are, in general, not subject to the German withholding tax regime with the coupon payments on and the gains from the sale or redemption of the Notes. This should as a rule hold true even if the Notes are held in custody with a Disbursing Agent. Exceptions apply for example (i) where the Notes are held as business assets of a German permanent establishment or a German permanent representative of the investor or (ii) where the Notes are presented for payment or credit at the offices of a German credit or financial services institution including a German branch of a foreign credit or financial services institution (over-the-counter transaction) or (iii) where the Notes are directly or indirectly secured with German real estate or with rights which are subject to the civil law provisions on real estate or a German registered ship provided that the Notes do not qualify as a bond issued with denominations (*Teilschuldverschreibung*) under German tax law or as a global note (*Sammelurkunde*) within the meaning of paragraph 9a of the German Custody Act (*Depotgesetz*). If the income is subject to German taxation under (i) and (ii) above, such holder is subject to a tax treatment similar to that described for German tax residents. In case of (iii) above the German tax authorities may require the Issuer to make a withholding tax deduction from the coupon payments.

Under certain circumstances, foreign investors may benefit from tax reductions or tax exemptions under applicable double tax treaties (*Doppelbesteuerungsabkommen*) entered into with Germany.

Prospective investors are recommended to consult their own tax advisors as to the individual tax consequences arising from the investment in the Notes.

Material United States Federal Income Tax Consequences

United States Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that: (a) any discussion of United States federal tax issues contained or referred to in this offering memorandum or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the U.S. Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion summarizes the material U.S. federal income tax consequences that apply to U.S. holders (as defined below) who buy, hold or dispose of the Notes. This summary is based upon the Internal Revenue Code of 1986, as amended (the "*Code*"), Treasury regulations promulgated under the Code, as amended (the "*Treasury Regulations*"), administrative rulings and pronouncements and judicial decisions, in each case, as of the date hereof. These authorities are subject to differing interpretations and are subject to change, perhaps retroactively, resulting in U.S. federal income tax consequences different from those discussed below. We have not sought any ruling from the U.S. Internal Revenue Service (the "*IRS*") with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions or that a court will not sustain any challenge by the IRS in the event of litigation. The discussion covers U.S. holders only if they buy Notes on the original issue date and at the original issue price for U.S. federal income tax purposes as defined below under "*—Original Issue Discount*", hold the Notes as capital assets (that is, for investment purposes) and use the U.S. Dollar as their functional currency.

This discussion is not a complete description of all U.S. tax considerations in connection with the Notes and therefore does not constitute tax advice. In particular, this discussion does not address the special tax consequences that may apply to U.S. holders subject to certain special rules, including, for example, banks, dealers, traders that elect to mark to market, insurance companies, regulated investment companies, real estate investment trusts, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities or persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction. In addition, this discussion does not address any state, local or non-U.S. tax consequences, nor does it address any estate or gift taxes. If you purchase the Notes at a price other than the offering price, the amortizable bond premium or market discount rules may apply to you. You should consult your tax advisor regarding this possibility.

If you are considering buying Notes, you should consult your own tax advisors about the U.S. federal, state and local tax consequences of buying, holding and disposing of the Notes.

For purposes of this discussion, a "*U.S. holder*" is a beneficial owner of the Notes who is for U.S. federal income tax purposes:

- a citizen or resident alien of the United States;
- a corporation (or any other entity taxable as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or its political subdivisions;
- a trust subject to the control of a U.S. person and the primary supervision of a U.S. court; or
- an estate the income of which is subject to U.S. federal income taxation regardless of its source.

If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) acquires or holds the Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner or partnership that acquires or holds the Notes should consult its own tax advisors.

Payments of Stated Interest

Stated interest paid on the Notes will be included in the gross income of a U.S. holder as foreign source ordinary income in accordance with such holder's regular method of tax accounting.

A U.S. holder who uses the cash method of accounting must include in income the U.S. Dollar interest payments on the Dollar Notes or, in the case of Euro Notes, a U.S. Dollar amount equal to the U.S. Dollar value of the stated interest paid in Euros at the spot exchange rate on the date of receipt, whether or not the payment is converted into U.S. Dollars. No foreign currency exchange gain or loss should be recognized by a cash method U.S. holder with respect to the receipt of such interest payments.

A U.S. holder who uses the accrual method of accounting generally must include in income the U.S. Dollar accrued stated interest on the Dollar Notes or, in the case of Euro Notes, the U.S. Dollar value of the accrued stated interest paid in Euros at the average exchange rate for the accrual period in which the interest accrued (or, if an accrual period spans two taxable years, the partial period within each taxable year). For this purpose, the average rate is the simple average of spot rates of exchange for each business day of that period or other average exchange rate for the period reasonably derived and consistently applied by the U.S. holder. An accrual method U.S. holder may elect to convert accrued Euro interest into a U.S. Dollar value at the spot exchange rate on the last day of the accrual period (or, in the case of a partial accrual period, at the spot exchange rate on the last day of the taxable year). If accrued interest is received within five business days of the last day of the accrual period, an electing accrual method U.S. holder may instead convert the accrued interest at the spot exchange rate on the date of receipt. Any such election will apply to all debt instruments that the electing U.S. holder holds or acquires at or after the beginning of the first taxable year to which the election applies. The election cannot be revoked without the consent of the IRS.

Upon receipt of the interest (including amounts received upon the sale, exchange, retirement or other taxable disposition of a Note attributable to accrued but unpaid interest), a U.S. holder who holds Euro Notes and who uses the accrual method of accounting generally will recognize foreign currency exchange gain or loss equal to the difference, if any, between the U.S. Dollar amount of the interest previously accrued and the U.S. Dollar value of the Euro amount received at the spot exchange rate on the date of receipt, whether or not the payment is converted into U.S. Dollars. Foreign currency gain or loss generally will be ordinary income or loss from sources within the United States.

Original Issue Discount

The Notes may be issued with original issue discount ("*OID*") as such term is defined in the Code and specified in Treasury Regulations issued thereunder. For U.S. federal income tax purposes, the Notes will be treated as having been issued with OID if the stated redemption price at maturity of a Note exceeds its issue price by more than a statutorily defined *de minimis* amount (generally, 0.0025 multiplied by the product of the principal amount and the number of complete years from the issue date to maturity). Generally, for U.S. federal income tax purposes the issue price of your Notes will be the first price at which a substantial amount of the Notes is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers, and the issue date of your Notes will be the first date on which a substantial amount of the Notes is sold to such persons. The stated redemption price at maturity of a Note is the sum of all payments provided by the Note other than "*qualified stated interest*" payments. The term "*qualified stated interest*" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually at a single fixed rate. Stated interest on the Notes will be treated as qualified stated interest.

A U.S. holder of a Note issued with OID must include OID in income as foreign source ordinary income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments to which such income is attributable, regardless of such U.S. holder's regular method of tax accounting. In general, the amount of OID included in income by the U.S. holder of a Note is the sum of the daily portions of OID with respect to such Note for each day during the taxable year (or portion of the taxable year) on which the U.S. holder held the Note. The daily portion of OID on any Note is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day or final day of an accrual period. The amount of OID allocable to each accrual period is generally equal to the difference between (i) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The adjusted issue price of a Note at the beginning of any accrual period is the sum of the issue price of the Note plus the amount of OID allocable to all prior accrual periods minus the amount of any prior payments on the Note that were not qualified stated interest payments. Under these rules, U.S. holders generally will have to include in taxable income increasingly greater amounts of OID in successive accrual periods. For these purposes, all receipts on a Note will be viewed: first, as payments of stated interest payable on the Note; second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as the receipt of principal.

A U.S. holder of Euro Notes must (i) determine OID allocable to each accrual period in Euro using the constant yield method described above, and (ii) translate the amount of OID into U.S. Dollars in accordance with the methods described above in the third paragraph under "*—Payments of Stated Interest*". A U.S. holder will recognize exchange gain or loss when OID is paid (including, upon the sale of a Euro Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. Dollar value of the Euro payment received (determined on the date such payment is received) and the U.S. Dollar value of the accrued OID, as determined in manner described above. U.S. holders should note that because the cash payment in respect of accrued OID on a Euro Note will not be made until maturity or other disposition of the Euro Note, a greater possibility exists for fluctuations in foreign currency exchange rates (and the required recognition of exchange gain or loss) than is the case for foreign currency instruments issued without OID. Holders of Euro Notes are urged to consult their tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules.

Contingent Payments

In certain circumstances we may be obligated to make payments on the Notes in excess of stated interest and principal. See "*Description of the Notes—Options of Holders to Repayment upon a Change of Control*". We intend to take the position that there is no more than a remote chance that we will make the payments and the Notes should accordingly not be treated as contingent payment debt instruments because of these additional payments. Additionally, we believe that as of the issue date it is significantly more likely than not that we will not be obligated to redeem the Notes as described in "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*". Assuming such position is respected, a U.S. holder would be required to include in income the amount of any such additional payment at the time such payment is received or accrued in accordance with such holder's method of accounting for United States federal income tax purposes. Our positions in respect of the likelihood of these contingencies are binding on a U.S. holder unless such holder discloses its contrary position in the manner required by applicable Treasury Regulations. Our positions are not, however, binding on the IRS, and if the IRS were to successfully challenge such positions, a U.S. holder might be required to accrue interest income at a rate higher than the stated interest rate on the Note and to treat as ordinary income, rather than capital gain, any income recognized on a sale, exchange or redemption of a debt security. The discussion herein assumes that the Issuer's determinations in respect of these contingencies are correct. The Treasury regulations applicable to contingent payment debt instruments have not been the subject of authoritative interpretation, however, and the scope of the regulations is not certain. Holders are urged to consult their own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Disposition of the Notes

Upon the sale, exchange, retirement, or other taxable disposition of a Note, a U.S. holder generally will recognize taxable gain or loss equal to the difference between the U.S. Dollar value of the amount realized upon the sale, exchange, retirement, or other taxable disposition (less any portion attributable to accrued but unpaid interest, which is discussed above) and such holder's adjusted tax basis in that Note. For Euro Notes, as long as the Notes are not traded on an established securities market, (1) the U.S. Dollar amount realized will be the value of the Euro amount received at the spot exchange rate on the date of disposition, and (2) a U.S. holder's adjusted tax basis in a Note will generally equal the U.S. Dollar value of the Euro amount used to purchase such Note on the date of purchase, decreased by any cash payments previously received in respect of the Notes other than payments of stated interest and increased by any OID previously included in income, if any.

If the Euro Notes become traded on an established securities market, a special rule applies for the determination of the amount realized and the tax basis of the Notes held by a U.S. holder who uses the cash method of accounting. Pursuant to this rule, the Euro amount paid or received is translated into U.S. Dollars at the spot exchange rate on the settlement date of the purchase or disposition, as applicable. In this case, no foreign currency exchange gain or loss will arise between the trade date and the settlement date. A U.S. holder who uses the accrual method of accounting may elect the same treatment required of cash method U.S. holders of Euro Notes that are traded on an established securities market, provided the election is applied consistently from year to year. Such election may not be changed without the consent of the IRS.

Except for foreign currency exchange gain or loss, which is discussed below, a U.S. holder's gain or loss realized upon the sale, exchange, retirement or other taxable disposition of a Note will generally be treated as U.S. source gain or loss and will be long-term capital gain or loss if, at the time of the sale, exchange, retirement or other taxable disposition of a Note, the U.S. holder has held the Note for more than one year. If a U.S. holder is not a corporation and the Note being sold, exchanged, or retired is a capital asset held for more than one year, the U.S. holder may be eligible for reduced rates of taxation on any capital gain recognized. The ability to deduct capital losses is subject to limitations.

A U.S. holder generally will recognize foreign currency exchange gain or loss on a taxable disposition of a Euro Note equal to the difference between the U.S. Dollar value of the principal amount of such Note on the date of acquisition and on the date of such disposition (or, if the Euro Notes are traded on an established securities market and the holder is a cash method or an electing accrual method U.S. holder, the settlement date). Foreign currency exchange gain or loss cannot exceed overall gain or loss on the Note. Foreign currency exchange gain or loss generally will be ordinary income or loss from sources within the United States.

Exchange of Foreign Currency

A U.S. holder will have a tax basis in Euro received as interest on a Euro Note or on the taxable disposition of a Euro Note equal to the U.S. Dollar value of the Euro amount received translated at the spot exchange rate on the date of receipt. Any gain or loss realized by a U.S. holder on a taxable disposition of Euros generally will be ordinary income or loss from sources within the United States.

Foreign Tax Credit

Interest (including additional amounts and OID, if any) received by a U.S. holder generally will be treated as foreign source ordinary income and generally will be considered "*passive*" income in computing the foreign tax credit such holder may take under U.S. federal income tax laws. The availability of a foreign tax credit is subject to certain conditions and limitations and the rules governing the foreign tax credit are complex. U.S. holders should consult their own tax advisors regarding the rules governing the foreign tax credit and deductions.

Reportable Transactions

Treasury regulations require U.S. taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds. Under these regulations, a U.S. holder that recognizes a loss with respect to a debt security that is attributable to changes in the spot exchange rate of a foreign currency may be required to report the loss on IRS Form 8886 if such loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is $50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. A U.S. holder should consult its own tax advisor regarding any tax filing and reporting obligations, including any protective filings, that ought to be made in connection with any loss realized in connection with acquiring, owning and disposing of debt securities that are denominated in or linked to a currency other than the U.S. Dollar, such as the Euro Notes.

Information Reporting and Backup Withholding

Payments of interest (including OID, if any) and proceeds from the sale, redemption or other disposition of a Note to or through certain brokers may be reported to the IRS unless a U.S. holder establishes a basis for exemption, generally by providing an IRS Form W-9. Backup withholding may apply to amounts subject to information reporting if a U.S. holder fails to provide an accurate U.S. taxpayer identification number. Backup withholding is not an additional tax. A U.S. holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess, provided the holder makes a timely filing of an appropriate tax return or refund claim.

Information with Respect to Foreign Financial Assets

Individual U.S. holders that own "*specified foreign financial assets*" with an aggregate value in excess of $50,000 are generally required to file an information report with respect to such assets with their tax returns. "*Specified foreign financial assets*" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, such as the Notes, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. holders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

CERTAIN ERISA CONSIDERATIONS

General

ERISA imposes certain requirements on "*employee benefit plans*" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*")) subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans ("*ERISA Plans*"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "*Plans*")) and certain persons (referred to as "*parties in interest*" or "*disqualified persons*") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("*Similar Law*"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the Initial Purchasers, the Trustee, the Transfer Agent or any of their respective affiliates. Depending on the satisfaction of certain conditions, which may include the identification of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or Prohibited Transaction Class Exemption ("*PTCE*") 84-14 (relating to transactions effected by a "*qualified professional asset manager*"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "*Class Exemptions*") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

By its purchase of any Note, the purchaser and any subsequent transferee thereof will be deemed to have represented and warranted that either: (i) it is not a Plan and no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes assets of any Plan or non-U.S., governmental or church plan subject to Similar Law or any entity whose underlying assets are considered to include "*plan assets*" (within the meaning of Section 2510.3-101 of Title 29 of the United States Code of Federal Regulations, as modified by Section 3(42) of ERISA) of any such plan, account or arrangement or (ii) the purchase and holding of the Notes by such purchaser or transferee does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

Each Plan fiduciary (and each fiduciary for non-U.S., governmental or church plans subject to Similar Law) should consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated June 17, 2011, each Initial Purchaser named below has severally agreed to purchase, and the Issuer has agreed to sell to each Initial Purchaser, the principal amount of the Notes set forth opposite the Initial Purchaser's name.

Initial Purchaser	Principal Amount of Euro Notes	Principal Amount of Dollar Notes
Goldman Sachs International	€141,880,000	$140,000,000
UBS Limited	€141,880,000	$140,000,000
Barclays Bank PLC	€ 70,940,000	$ 70,000,000
Commerzbank Aktiengesellschaft	€ 100,000	$ —
Lloyds TSB Bank plc	€ 100,000	$ —
Mediobanca Banca di Credito Finanziario S.p.A.	€ 100,000	$ —
Total	**€355,000,000**	**$350,000,000**

The Initial Purchasers propose to offer the Notes to purchasers at the price to investors indicated on the cover page of this offering memorandum. After the initial offering of the Notes, the Initial Purchasers may from time to time vary the offering price and other selling terms without notice. The Offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

The Issuer expects that delivery of the Notes will be made against payment therefor on or about the third business day following the date of pricing of the Notes.

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments which the Initial Purchasers may be required to make in respect of any such liabilities. The Issuer will pay the Initial Purchasers a commission and pay certain expenses of the Offering.

The Issuer and the Guarantors have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after the date hereof, none of the Issuer, the Guarantors, nor any of their respective affiliates will, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, issue or otherwise dispose of any debt, issued or guaranteed by the Issuer or any of the Guarantors and having a tenor of more than one year.

No action has been or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes and the Note Guarantees, or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for that purpose is required. Accordingly, the Notes and the Note Guarantees may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about, and to observe, any restrictions relating to the Offering of the Notes, the distribution of this offering memorandum and resales of the Notes. See "*Transfer Restrictions*".

The Notes are a new issue of securities with no established trading market. The Issuer has been advised by the Initial Purchasers that the Initial Purchasers intend to make a market in the Notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes.

In connection with the Offering, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater number of Notes than they are required to purchase in the Offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the Offering is in progress.

These activities by the Initial Purchasers, as well as other purchases by the Initial Purchasers for their own accounts, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchasers at any time. These transactions may be effected in the over-the-counter market or otherwise.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes, and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer, for which they received or will receive customary fees and expenses. In addition, the Initial Purchasers or their respective affiliates are lenders under the Revolving Credit Facility and the bridge facility that the Issuer has entered into as borrower to provide financing for the Acquisition in the event the Offering is not consummated, and such entities may act as counterparties in the hedging arrangements the Issuer expects to enter into in connection with the Transactions, and will receive customary fees for their services in such capacities.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

The Notes (including the Note Guarantees) have not been and will not be registered under the Securities Act, and may not be offered or sold except (i) to QIBs in offers and sales that occur within the United States, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and (ii) to non-U.S. persons in offers and sales that occur outside the United States, in reliance on Regulation S, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold, and will not offer or sell, any of the Notes (including the Note Guarantees) as part of its allocation at any time other than to QIBs in the United States in accordance with Rule 144A or outside of the United States in accordance with Rule 903 of Regulation S. Transfer of the Notes (including the Note Guarantees) will be restricted and each purchaser of the Notes (including the Note Guarantees) in the United States will be required to make certain acknowledgements, representations and agreements, as described under "*Transfer Restrictions*".

Any offer or sale in the United States will be made by affiliates of the Initial Purchasers who are broker-dealers registered under the U.S. Securities Exchange Act of 1934, as amended. In addition, until 40 days after the commencement of the Offering, an offer or sale of Notes within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the Securities Act and in connection with any applicable state securities laws.

TRANSFER RESTRICTIONS

The following restrictions will apply to the Notes. Prospective investors are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the Notes (including the Note Guarantees) offered hereby.

The Notes (including the Note Guarantees) have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, or in any other jurisdiction, and, unless so registered, may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes (including the Note Guarantees) are being offered and sold only (i) to QIBs as defined in, and in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and (ii) to non-U.S. persons in offers and sales that occur outside the United States, in compliance with Regulation S. Terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein.

By its purchase of Notes (including the Note Guarantees), each purchaser (other than the Initial Purchasers) of Notes (including the Note Guarantees) will be deemed to have acknowledged, represented and agreed with the Issuer, the Guarantors, the Initial Purchasers and the Principal Shareholders that it has received a copy of this offering memorandum and such other information as it deems necessary to make an informed decision and that:

1. It understands and acknowledges that the Notes (including the Note Guarantees) have not been and will not be registered under the Securities Act or with any securities regulatory authority or any state of the United States and that the Notes (including the Note Guarantees) are being offered for resale in a transaction not requiring registration under the Securities Act or any other securities laws, and, unless so registered, may not be offered, sold or otherwise transferred, except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.
2. It represents that it is not an "*affiliate*", as defined under Rule 144 under the Securities Act, of the Issuer or acting on the Issuer's behalf and that it (A)(i) is purchasing the Notes (including the Note Guarantees) for its own account or an account with respect to which it exercises sole investment discretion, (ii) is a QIB (and is acquiring such Notes (including the Note Guarantees) for its own account or for the account of another QIB), and (iii) is aware that the sale to it is being made in reliance on Rule 144A or (B) is a non-U.S. person and is purchasing the Notes (including the Note Guarantees) outside the United States in an offshore transaction pursuant to Regulation S.
3. It acknowledges that none of the Issuer or the Initial Purchasers, or any person representing the Issuer or the Initial Purchasers, has made any representation to it with respect to the offering or sale of any of the Notes (including the Note Guarantees), other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes (including the Note Guarantees). It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. It has had access to such financial and other information concerning the Issuer, the Notes (including the Note Guarantees) and Evonik Carbon Black as it has deemed necessary in connection with its decision to purchase any of the Notes (including the Note Guarantees), including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.
4. It is purchasing the Notes (including the Note Guarantees) for its own account, or for an account with respect to which it exercises sole investment discretion and for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes (including the Note Guarantees) pursuant to

Rule 144A, Regulation S or any other exemption from registration available under the Securities Act or pursuant to an effective registration statement under the Securities Act.

5. It understands and agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes (including the Note Guarantees), and each subsequent holder of the Notes (including the Note Guarantees) by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such notes prior to the date (the "*Resale Restriction Termination Date*") that is one year (in the case of Notes issued in reliance on Rule 144A) or 40 days (in the case of Notes issued in reliance on Regulation S) after the later of the issue date and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the notes are eligible pursuant to Rule 144A, to a person it, or any person acting on its behalf, reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) to non-U.S. persons in an offshore transaction outside the United States in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable securities laws of any state or territory of the United States or any other jurisdiction, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (a) pursuant to clauses (iv) and (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (b) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

   It understands and acknowledges that the Notes (including the Note Guarantees) will contain a legend substantially to the following effect:

   THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

   THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "*QUALIFIED INSTITUTIONAL BUYER*" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*")) OR (B) IT IS ACQUIRING THIS SECURITY IN AN "*OFFSHORE TRANSACTION*" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "*RESALE RESTRICTION TERMINATION DATE*") WHICH IS [IN THE CASE OF NOTES ISSUED IN RELIANCE ON RULE 144A: ONE YEAR] [IN THE CASE OF NOTES ISSUED UNDER REGULATION S: 40 DAYS] (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY [RULE 144] [REGULATION S] UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, A GUARANTOR OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT, OR ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT

THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR TERRITORY OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) AND (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If it purchases the Notes (including the Note Guarantees), it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes (including the Note Guarantees) as well as to holders of these Notes.

6. It agrees that it will give to each person to whom it transfers the Notes (including the Note Guarantees) notice of any restrictions on the transfer of such Notes (including the Note Guarantees).

7. It acknowledges that until the expiration of 40 days after the later of the commencement of the Offering and the closing date, any offer or sale of the Notes (including the Note Guarantees) within the United States by a broker/dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

8. It acknowledges that the Registrar will not be required to accept for registration or transfer any Notes (including the Note Guarantees) acquired by it except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth therein have been complied with.

9. It represents and covenants that:

   (a) either: (A) it is not a Plan (which term includes (i) employee benefit plans that are subject to ERISA, (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "*Internal Revenue Code*"), or to provisions under applicable federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Internal Revenue Code ("*Similar Laws*") and (iii) entities the underlying assets of which are considered to include "*plan assets*" of such plans, accounts and arrangements) and it is not purchasing the Notes (including the Note Guarantees) on behalf of, or with the "*plan assets*" of, any Plan; or (B) its purchase, holding and subsequent disposition of the Notes (including the Note Guarantees) either (i) are not a prohibited transaction under ERISA or the Internal Revenue Code and are otherwise permissible under all applicable Similar Laws or (ii) are entitled to exemptive relief from the prohibited transaction provisions of ERISA and the Internal Revenue Code in accordance with one or more available statutory, class or individual prohibited transaction exemptions and are otherwise permissible under all applicable Similar Laws; and

   (b) it will not transfer the Notes (including the Note Guarantees) to any person or entity, unless such person or entity could itself truthfully make the foregoing representations and covenants;

10. It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of its acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes (including the Note Guarantees) are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes (including the Note Guarantees) as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

11. It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes (including the Note Guarantees) or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes (including the Note Guarantees) in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes (including the Note Guarantees) will be subject to the selling restrictions set forth in this offering memorandum, in particular under the section entitled "*Notice to Investors*".

12. It understands that the Issuer shall not recognize any offer, sale, pledge or other transfer of the Notes (including the Note Guarantees) made other than in compliance with the above-stated restrictions.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Issuer and the Guarantors by Cravath, Swaine & Moore, LLP, as to matters of United States federal and New York state law, and Sullivan & Cromwell LLP, as to matters of United States federal, New York state and German law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Linklaters LLP, as to matters of United States federal, New York state and German law.

INDEPENDENT AUDITORS

Our combined financial statements as of December 31, 2010, 2009 and 2008 and for each of the three years then ended, included in this offering memorandum, have been audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, independent auditors, as stated in their report included therein.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany. The Guarantors are entities organized under the laws of Germany, France, Hong Kong, Italy, Luxembourg, Korea, Poland, Portugal, Sweden and the United States of America. Most of the respective directors and executive officers of the Issuer and the Guarantors (except for the Guarantors organized under the laws of the United States (the "*U.S. Guarantors*")) are resident outside of the United States. A substantial portion of the assets of the Issuer and the Guarantors (except for the U.S. Guarantors) and their respective directors and officers are located outside the United States. Although the Issuer and the Guarantors have agreed, in accordance with the terms of the Indenture, to accept agent for service of process in the United States by agents designated for such purpose, it may not be possible for holders of the Notes to (a) effect service of process upon the Issuer, the Guarantors (except for the U.S. Guarantors) or their respective directors or officers, or (b) enforce judgments of courts of the United States predicated upon the civil liability of such entities or persons under the U.S. securities laws and state securities laws or other laws against any such entities or persons in the courts of a foreign jurisdiction.

Germany

There is doubt as to the enforceability in Germany of civil liabilities based on federal or state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and the Federal Republic of Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Germany. A conclusive judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- the judgment being final under U.S. law;
- the U.S. court having had jurisdiction over the original proceeding under German law;
- the defendant having had the chance to defend itself against an unduly or untimely served complaint;
- the judgment of the U.S. court being consistent with the judgment of a German court or a recognized judgment of a foreign court handed down before the judgment of the U.S. court;
- the judgment of the U.S. court being consistent with the procedure of a matter pending before a German court, *provided* that such matter was pending before a German court before the U.S. court entered its judgment;
- the recognition of the judgment by the U.S. court being compatible with German public policy, including the fundamental principles of German law and in particular the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the guarantee of reciprocity.

Subject to the foregoing, holders of the notes may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, there can be no assurance that attempts to enforce judgments in Germany will be successful. In particular, the obligations need to be of a specific kind and type for which an enforcement procedure exists under German law. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditor's rights generally.

In addition, the recognition and enforcement of punitive damages is usually denied by German courts as incompatible with the substantial foundations of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. In so far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on the common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

Brazil

The United States and Brazil do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. To the extent that some guarantors of the notes are incorporated under the laws of Brazil and these guarantors' directors all reside outside the United States and all of the guarantors' assets are located outside the United States, it may not be possible for investors to effect service of process in the United States upon such guarantors or their directors, or to enforce judgments against them in the United States.

A final conclusive judgment for the payment of money rendered by any U.S. state or federal court would be recognized in the courts of Brazil (to the extent that Brazilian courts may have jurisdiction) and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action to the extent that such judgment has been previously ratified by the Superior Court of Justice of Brazil (*Superior Tribunal de Justiça* or *STJ*). Such ratification is available only if:

- the judgment fulfills all formalities required for its enforceability under the applicable federal and state laws of the United States;
- the judgment contemplates an order to pay a determined sum of money or specific performance;
- the judgment is issued by a competent court after proper service of process on the parties in conformity with due process, which service must comply with Brazilian law if made against a Brazilian resident party, or after sufficient evidence of the parties' absence has been given, as established pursuant to applicable law;
- the judgment is not subject to appeal;
- the judgment is authenticated by the Brazilian consulate in the location the judgment was delivered;
- the judgment is translated into Portuguese by a certified translator; and
- the judgment is not against Brazilian public policy, good morals or national sovereignty.

Notwithstanding the foregoing, no assurance can be given that such ratification would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the U.S. securities laws.

In addition, a plaintiff (whether Brazilian or not) that resides outside Brazil during the course of litigation in Brazil must post bond to secure payment of costs and fees if the plaintiff owns no real property in Brazil. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge, except in the case of the enforcement of foreign judgments that have been duly confirmed by the STJ.

China

Generally speaking, recognition and enforcement in the People's Republic of China ("*PRC*" or "*China*", for the purposes of this section, excluding Hong Kong, Macao and Taiwan) of a judgment rendered by a foreign court on civil matters is based on an international treaty or a reciprocity principle. The United States and China do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters, and therefore a judgment rendered by any federal or state court in the United States in connection with a company incorporated in China (a "*Chinese Company*") based on civil liability (a "*PRC Related Foreign Judgment*") would not be directly enforceable in China. A court in the PRC has a large degree of discretion in determining whether or not to accept the application for the enforcement of the PRC Related Foreign Judgment and, according to past practice, the possibility of a Chinese court accepting an application for enforcing a PRC Related Foreign Judgment in China is very remote. If the PRC court does not accept such an enforcement application, the person seeking enforcement of the PRC Related Foreign Judgment will have to initiate a new civil litigation procedure before a court of competent jurisdiction in China, usually being the court where the relevant Chinese Company is located. After the civil litigation case is heard by the relevant court and a binding ruling is granted by the court, the court will enforce the ruling.

Without prejudice to the generality of the foregoing, in order for such PRC Related Foreign Judgment to be recognized and enforced by a Chinese court, the following conditions are required to be fulfilled:

- the judgment should not contravene the sovereignty, security, social and public interests of China;
- the judgment should have been granted by the competent court in United States which has jurisdiction on the matter;
- according to the laws where the judgment was granted, the judgment should be effective and enforceable;
- the same matter should not be, or have been, tried before a Chinese court; and
- the enforcement application should meet with the principle of reciprocity.

Without prejudice to the generality of the foregoing, in order for a pledge over shares in a Chinese Company to be enforced in China, the person having the benefit of the pledge must initiate enforcement proceedings before a Chinese court, and normally the following conditions must be satisfied in addition to the immediately above-mentioned conditions:

- the pledgor must have no other enforceable property in China except the pledge over the shares in the Chinese Company;
- there must be no dividend or distributable profit in the Chinese Company available to the pledgor. If there are dividends, the pledgee shall be repaid from the dividends available and only then may the pledge be enforced in respect of the unpaid amount owed to the pledgor;
- the enforcement and transfer of pledged equity must be notified to other shareholders, and such other shareholders shall have the first right to purchase the pledged shares; and
- the enforcement and transfer of the pledged shares must be approved by relevant PRC government authority.

France

Our French counsel has advised us that the United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*). Enforcement in France of such U.S. judgment could be obtained following proper (*i.e.*, non-ex parte) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- the jurisdictional competence of U.S. courts must be demonstrated, *i.e.*, the dispute is clearly connected to the U.S. and the French courts do not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case;
- such U.S. judgment is not tainted with fraud; and
- such U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France and there are no proceedings pending before French courts at the time enforcement of the judgment is sought and having the same or similar subject matter as such U.S. judgment.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French laws No. 80-538 of July 16, 1980 and No. 200-916 of September 19, 2000 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action.

We have been advised by our French counsel that if an original action is brought in France, French courts may refuse to apply the designated law if its application contravenes French public policy. In an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Our French counsel has also advised us that according to article 15 of the French Civil Code, until recently, in the event that a party brought an action outside France against a French national (either a company or an individual), the latter could refuse to be brought before non-French courts and require the complainant to bring his action in France unless he had waived such right. This solution is no longer valid under prevailing French case law since a decision of the French supreme court (*Cour de cassation)* of May 23, 2006 which ruled that said article 15 of the French Civil Code is a provision on facultative jurisdiction of French courts for French nationals whenever the dispute presents a material connection with the foreign state where the claim is brought and in the absence of fraud.

In addition, our French counsel has advised that pursuant to article 14 of the French Civil Code, a French national may decide to bring an action before the French courts, regardless of the nationality of the defendant, although recent French supreme court case law imposed similar conditions as are described above regarding article 14 of the French Civil Code. The French national may however waive its right to bring an action before a French court against a non-French defendant.

Hong Kong

In Hong Kong, the Foreign Judgments (Reciprocal Enforcement) Ordinance (Chapter 319 of the Laws of Hong Kong) provides a means for recognition and enforcement in Hong Kong of foreign judgments from a small number of foreign jurisdictions, by way of a registration procedure at Hong Kong courts. However, the United States is not one of the jurisdictions whose judgments are enforceable by registration in Hong Kong. Therefore, a final judgment rendered by any United States federal or state court based on civil liability would not automatically be enforceable in Hong Kong.

However, a final and conclusive judgment by any U.S. federal or state court may still be recognized and enforced in Hong Kong in a civil action by a Hong Kong court under common law rules whereby the judgment creditor (such as the holder(s) of the Notes) issues proceedings against the judgment debtor (such as the HK Bidco) in Hong Kong citing the U.S. judgment debt as the cause of action. The original cause of action of the U.S. judgment becomes irrelevant. The recognition and enforcement of the U.S. judgment by a Hong Kong court is conditional upon a number of factors, including the following:

- the judgment is for a definite sum of money;
- the judgement is final and conclusive under U.S. law; and
- the judgment must be given by a court of competent jurisdiction in the United States.

Notwithstanding the foregoing, there is still doubt as to whether attempts to enforce U.S. judgments in Hong Kong under common law rules will be successful. In particular, the Hong Kong courts will not recognize and enforce U.S. judgments on the following grounds:

- the judgment was obtained by fraud (however, there must be plausible evidence to establish a *prima facie* case of fraud);
- the judgment is in the nature of taxes, fines or other penalty; and
- the judgment is contrary to the public policy of Hong Kong.

Italy

The recognition and enforcement of a judgment rendered by a U.S. federal or New York state court in Italy is governed by Article 64 of the Private International Law Act (*i.e.*, Law 218 of May 31 1995) (the "*PIL Act*") (and certain other provisions of the PIL Act), which replaced, *inter alia*, a number of provisions of the Italian Code of Civil Procedure.

Pursuant to the PIL Act, any judgment issued by a U.S. federal or New York state court should automatically be recognized in Italy *provided* that the following requirements are met:

- the relevant U.S. federal or New York state court had appropriate jurisdiction to pass judgment upon the matter (in accordance with the Italian rules on jurisdiction);
- the defendant had received the summons in accordance with the laws of the state in which the proceeding have taken place, and the defendant had not been deprived of his fundamental right to a defense;
- the parties had appeared in the proceedings in accordance with the local procedural law, or the proceedings were conducted in absencia (*in contumacia*) in accordance with such local procedural law;
- the judgment rendered by the U.S. federal or New York state court must be final and binding (*passato in giudicato*) according to the law of the state in which it was issued;
- the judgment rendered by the U.S. federal or New York state court is not in conflict with any earlier final and binding judgment issued by an Italian court;
- there is no pending proceeding before any Italian court in relation to the same subject matter and between the same parties which started prior to the commencement of the proceedings before the relevant U.S. federal or New York state court; and
- the judgment rendered by the U.S. federal or New York state court is not contrary to Italian public policy.

Besides, according to Article 67 of the PIL Act, if the judgment rendered by the U.S. federal or New York state court is not complied with, its recognition is challenged or it is necessary to enforce such judgment, a proceeding must be instituted in the competent Court of Appeal to this end. The competent Court of Appeal does not consider the merits of the case but reviews exclusively the existence of all the requirements set out above (including that requiring that the judgment rendered by the U.S. federal or New York state court is not contrary to public policy in Italy).

Korea

A monetary judgment duly obtained in U.S. federal or state courts will be recognised by Korean courts without a re-examination of the merits of the case if:

- such judgment was finally and conclusively given by a court having valid jurisdiction in accordance with the international jurisdiction principles under Korean law and applicable treaties;
- the relevant Korean party received service of process, other than by publication or similar means, in sufficient time to enable such party to prepare its defence in conformity with applicable law or responded to the action without being served with process;
- recognition of such judgment is not contrary to the public policy of Korea; and
- judgments of the courts of Korea are accorded reciprocal treatment in the jurisdiction of the court which had issued such judgment.

Luxembourg

We have been advised by our Luxembourg counsel that a valid judgment against the Guarantors of Luxembourg nationality with respect to the Notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg subject to compliance with the enforcement procedures (*exequatur*) set out in Article 678 et seq. of the *Luxembourg Nouveau Code de Procédure Civile* being:

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the judgment is final and enforceable (*exécutoire*) in the jurisdiction where the decision is rendered;
- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the judgment must not have been obtained by fraud and must have been granted in compliance with the rights of the defendant; and
- the judgment does not contravene public policy as understood under the laws of Luxembourg or has been given in proceedings of a criminal or tax nature.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law amongst others and notably if its application contravenes Luxembourg public policy. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

Poland

The Polish guarantor is incorporated and existing under the laws of Poland. There is no execution treaty between Poland and the United States. As a result, the enforcement of any judgments of United States courts against it will depend upon a formal procedure to be carried out by the competent Polish court. An application to establish whether a judgment can be executed in the territory of Poland can be submitted by the creditor. A formally certified copy of the judgment, as well as a document confirming that the judgment is executable in the country it originated from (and certified translations thereof) are to be attached to the application. A Polish court will refuse to establish the enforceability in Poland of a judgment issued in the United States, if the following occurs:

- the decision is not final in the United States (*i.e.*, can still be appealed);
- the decision has been issued in a case that is subject to exclusive jurisdiction of Polish courts;
- the letter initiating the proceedings was not properly delivered within a time to allow the defendant to submit a defense; *provided*, *however*, that the defendant was not engaged in the essence of the dispute;
- the defendant was deprived of his defense rights;
- a case concerning the same claim between the same parties has been brought before a Polish court earlier than a U.S. federal or state court;
- the decision is in contravention of an earlier issued final decision by a Polish court, or an earlier issued final decision by a court of a foreign country meeting the requirements to be recognized in the Republic of Poland and issued in a case concerning the same claim between the same parties; and
- executing the decision would be in contravention of fundamental principles of legal order of the Republic of Poland (Public Order Clause).

Portugal

The United States and the Republic of Portugal currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any federal or state court in the United States, whether or not predicted solely upon U.S. federal or state securities laws, would not automatically be enforceable in Portugal.

A final and conclusive judgment by a U.S. federal or state court for the payment of a specific sum of money based on civil liability would be enforceable in the courts of Portugal, after having been confirmed by a Portuguese Court, as set forth in the Portuguese Code of Civil Procedure (*Código do Processo Civil*).

The Portuguese Court with jurisdiction over such confirmation will be the "*Tribunal da Relação*", of the judicial district where the relevant person against whom the judgment will be enforced is established.

Also under the terms set forth in the Portuguese Code of Civil Procedure (*Código do Processo Civil*), in order for the judgment rendered in the U.S. federal or state courts to be enforceable, the following conditions must be met:

- there be no doubts regarding the authenticity of the document containing the judgment, nor about the judgment's intelligence;
- the judgment be a "*condition of res judicata*" according to the U.S. federal or state laws where the judgment was rendered;
- that the U.S. federal or state courts jurisdiction was not claimed fraudulently in order to waive the applicable Portuguese laws and that the case submitted did not belong to the exclusive jurisdiction of the Portuguese Courts;
- "*lis pendens*" and "*condition of res judicata*" cannot be alleged based on a case pending or judged on a Portuguese Court, except if the foreign U.S. federal or state courts prevented the jurisdiction;
- that the defendant was duly notified of the procedure, under the U.S. federal or state laws, and that the adversarial nature of proceedings and the principle of equality of the parties were duly complied with during the procedure; and
- that the judgment rendered is not incompatible with the international public policy of the Portuguese State.

If judgment by a U.S. federal or state court is issued against a Portuguese national (either an individual or a company), its confirmation may also be challenged whenever its final outcome is less favorable to the Portuguese party than it would have been if the relevant court had applied Portuguese law and, according to the Portuguese conflict rules, Portuguese law should have been applied. It shall be mentioned that such a confirmation may also be challenged if (i) there is another final judgment which proves that the judgment under analysis arises from a crime committed by the judge in the exercise of his functions, (ii) a document is presented whose existence a party was not aware of or if such party could not use such document during the procedure from which arose the judgment under analysis, *provided* that such document alone is deemed sufficient to modify the judgment in a most favorable way to the defeated party or (iii) the judgment is based on a sham litigation and the court has not prevented the parties from obtaining their intended result due to the fact that the court was not aware of the fraud.

We have been advised by our Portuguese counsel that if an original action is brought in Portugal, Portuguese courts may refuse to apply the designated law if its application contravenes Portuguese public policy. In an action brought in Portugal on the basis of U.S. federal or state securities laws, Portuguese courts may not have the requisite power to grant all the remedies sought.

Sweden

Enforceability of a judgment rendered by a foreign court in civil and commercial matters, is generally considered conditional upon that enforceability of such judgment is expressly provided for under Swedish law or upon a treaty providing for the reciprocal recognition and enforcement of judgments. The United States and Sweden do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (although the United States and Sweden are both parties to the New York Convention on Arbitral Awards). This means that a judgment rendered by any federal or state court in the United States based on civil liability would not be directly enforceable in Sweden.

In order to enforce any such judgment in Sweden, proceedings must therefore be initiated by way of civil law action on the judgment debt before a court of competent jurisdiction in Sweden, or an administrative tribunal or executive or other public authority of the Kingdom of Sweden. In such an action, a judgment rendered by any federal or state court in the United States may be regarded as evidence in respect of, for example, factual circumstances or the content of U.S. law.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND CERTAIN LIMITATIONS ON NOTE GUARANTEES AND SECURITY

Set out below is a brief description of limitations on the enforceability of the Note Guarantees and the security interests and of certain insolvency law considerations in some of the jurisdictions in which Note Guarantees or Collateral are being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes, the Note Guarantees or other security interests. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Note Guarantees and the security interests on the Collateral. Please see "Risk Factors—Risks Related to the Notes"

European Union

The Issuer and several of the Guarantors are organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "*E.U. Insolvency Regulation*"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "center of main interests" (as that term is used in Article 3(1) of the E.U. Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its "center of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views. To date, no final decisions have been made in cases that have been brought before the European Court of Justice in relation to questions of interpretation of the effects of the E.U. Insolvency Regulation throughout the European Union.

Although there is a presumption under Article 3(1) of the E.U. Insolvency Regulation that a company has its "center of main interests" in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the E.U. Insolvency Regulation states that the "center of main interests" of a "debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties". The courts have taken into consideration a number of factors in determining the "center of main interests" of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's "center of main interests" may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition.

The E.U. Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the E.U. Insolvency Regulation and to winding up proceedings referred to in Annex B of the E.U. Insolvency Regulation.

If the "center of main interests" of a company is in one Member State (other than Denmark) under Article 3(2) of the E.U. Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries on non-transitory economic activity with human means and goods. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the company has its center of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to "winding up proceedings" listed in Annex B of the E.U. Insolvency Regulation. Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment where either (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law or (b) the territorial insolvency proceedings are opened at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

Germany

German Insolvency Law

One or more of the Guarantors of the Notes and providers of security to the Notes and the Issuer are incorporated in Germany. In the event of an insolvency of any such German company, subject to the statements made above under the heading "*European Union*", insolvency proceedings may be initiated in Germany. Such proceedings would then be governed by German law. Under German law, insolvency proceedings are not initiated by the competent court ex officio, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) or illiquidity (*Zahlungsunfähigkeit*) of the debtor, or, by the debtor only, in the event of imminent illiquidity (*drohende Zahlungsunfähigkeit*). The debtor is over-indebted if its liabilities exceed the value of its assets which must be assessed on the basis of an over-indebtedness balance sheet (*Überschuldungsstatus*) to be drawn up either (i) on the basis of the liquidation value of the debtor or (ii) based upon the going concern value if a continuation of the business is more likely than not, *provided* that according to temporary legislation being in force until end of 2013, the debtor is not deemed over-indebted if, given the circumstances, its continuation as a going concern is predominantly likely (*überwiegend wahrscheinlich*). The debtor is illiquid if it is unable to pay its debts as and when they fall due. If a limited liability company (*Gesellschaft mit beschränkter Haftung*), any other kind of corporation or partnership without an individual as its personally liable partner gets into a situation of illiquidity and/or over-indebtedness, the management of such company or corporation (or of the relevant personally liable partner(s)) is obliged to file for insolvency without delay (but no later than within three weeks of the illiquidity or over-indebtedness). In addition, the debtor can file for insolvency proceedings if it is imminently at risk to be unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*).

Insolvency proceedings are controlled by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings as far as these protective measures are reasonable to protect the debtor's assets and/or to ensure the continuation of the debtor's business. As part of such protective measures the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may be, in particular, to safeguard and to preserve the debtor's property and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. The court orders the opening (*Eröffnungsbeschluss*) of main insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if (i) the debtor is in a situation of imminent illiquidity (if the petition has been filed by the debtor) or illiquidity and/or over-indebted and (ii) there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the petition for opening of insolvency proceedings will usually be dismissed. If insolvency proceedings are opened, the court usually appoints an insolvency administrator (*Insolvenzverwalter*) who has full power to dispose of the debtor's assets, and the debtor is no longer entitled to dispose of its assets. As an exception, the court may order insolvency proceedings to be run by the relevant debtor itself under the supervision of a custodian (*Sachwalter*), in which case the relevant debtor retains, to a large extent, its authority to dispose of its assets. Such order remains subject to review and may be repealed in which case an insolvency administrator would be appointed. An insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations and satisfaction of these liabilities as preferential debts of the estate (*Masseschulden*) will be preferred to any insolvency claims of unsecured creditors (this also includes such portion of a secured creditor's claim which exceeds the amount obtained through a disposal of the relevant collateral). All creditors, whether secured or unsecured, (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)) that wish to assert claims against the debtor in person need to participate in the insolvency proceedings. Any judicial enforcement action (*Zwangsvollstreckung*) brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). If, during the final month preceding the date of filing for insolvency proceedings, a creditor acquires through execution (*i.e.*, attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of the insolvency proceedings. Unsecured creditors may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available). Secured creditors are not entitled to enforce their security interests after an insolvency petition has been filed to the extent the German Insolvency Code (*Insolvenzordnung*) authorizes the insolvency administrator to dispose of the relevant collateral (though, between the time when an insolvency petition is filed and the time when insolvency proceedings commence, such stay on enforcement requires a court order) but have only certain preferential rights (*Absonderungsrechte*) in the insolvency proceedings. Whether or not, after the initiation of insolvency proceedings, a secured creditor remains entitled to enforce security granted to it by the relevant debtor depends on the type of security. However, even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the insolvent secured creditor retains a right of preferred satisfaction with regard to the disposal proceeds. As a consequence, the enforcement proceeds minus certain contributory charges for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts (excess proceeds) are distributed among the unsecured creditors. If the Issuer, a German Guarantor or other German security provider of the Issuer grants security over its assets to other creditors than the holders of the Notes, such security may result in a preferred satisfaction of such other creditors' secured claims (however, the preferential treatment would be limited to the proceeds obtained through the disposal of the relevant collateral). The excess-proceeds resulting from the disposal of collateral provided to such other creditors may not be sufficient to satisfy the unsecured claims of the holders of the Notes against the Issuer or under the guarantee granted by such German Guarantor (if any). In addition, it may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires the consent of the debtor as well as the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (that is, there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis-a-vis each entity have to be dealt with separately.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or payment of a consideration), while claims of a person who became a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors.

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Most executory contracts become unenforceable at such time unless and until the insolvency administrators opts for performance.

Limitation on Enforcement

Any security (including a guarantee) granted by a German Security Provider incorporated in the form of a GmbH (limited liability company) is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung—"GmbHG"*).

Sections 30 and 31 of the GmbHG ("*Sections 30 and 31*") prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (*i.e.*, assets minus liabilities and liability reserves) is already less or would fall below the amount of its stated share capital (*Stammkapital*). The granting of guarantees, share pledges and other security by a GmbH in order to guarantee or secure liabilities of a direct or indirect parent or sister company may be considered disbursements under Sections 30 and 31. Therefore, in order to enable a GmbH to issue guarantees or create security to secure guarantee liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31, it is standard market practice for credit agreements, guarantees and security documents to contain so-called "*limitation language*" in relation to subsidiaries in the legal form of a GmbH or a limited liability partnership with a GmbH as its sole general partner (GmbH & Co. KG), incorporated or established in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees and secured parties agree to enforce the guarantee and security interest against the GmbH only to the extent that such enforcement would not result in the GmbH's (or, in the case of a GmbH & Co. KG, its general partner's) net assets falling below its stated share capital or, if the net assets are already below its stated share capital, does not further reduce such amount. Accordingly, the documentation in relation to the Note Guarantees and security, to the extent they concern a German Security Provider, contain such limitation language and, hence, such Note Guarantees and security interests are limited in the manner described therein.

German capital maintenance rules are subject to ongoing court decisions. Future court rulings may further limit the access of shareholders to assets of their subsidiaries constituted in the form of a GmbH, which can negatively affect the ability of the Issuer to make payment on the Notes, of the subsidiaries to make payments on the guarantees, of the secured parties to enforce the collateral or of the beneficiaries of the guarantees to enforce the guarantees.

In addition, the enforcement of the Note Guarantees and security interests granted by subsidiaries of the Issuer may be limited under its respective terms to the extent that it would lead to the illiquidity (*Zahlungsunfähigkeit*) of the company granting such Note Guarantee or security interest.

Parallel Debt; Security Interests

Under German law, certain "*accessory*" security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee who does not itself hold the secured claim. The holders of interests in the Notes from time to time will not be parties to the security documents. In order to permit the holders of the Notes from time to time to benefit from pledges granted to the Security Agent under German law the Intercreditor Agreement provides for the creation of a "*parallel debt*". Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under, in particular, the Notes and the indenture. The pledges governed by German law will directly secure the parallel debt only. There are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law to secure such parallel debt, and hence there is no certainty that German courts will uphold such pledges.

German law does not generally permit the appropriation of pledged assets by the pledgee upon enforcement of the pledge. The enforcement of a share pledge under German law usually requires the sale of the asset constituting the collateral through a formal process involving a public auction to which certain waiting periods and notice requirements apply.

Under German law, it is unclear whether the security interest in the collateral gives the security agent the right to prevent other creditors of the entities having granted such security from foreclosing on and realizing the asset constituting the collateral. Some courts have held that certain types of security interests only give their holders priority (according to their ranking) in the distribution of any proceeds from the realization of the asset constituting the collateral and no right to intervene (*i.e.*, the right to request the court to impose a stay on proceedings initiated by other creditors).

Hardening Periods and Fraudulent Transfer

In the event of insolvency proceedings with respect to a German Security Provider governed by insolvency laws of Germany, the Note Guarantee and other security provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

Based on these rules, an insolvency administrator may challenge (*anfechten*) transactions that are deemed detrimental to the insolvent debtor's creditors as a whole and were effected prior to the commencement of insolvency proceedings. Such transactions can include the payment of any amounts to the noteholders as well as granting them any security interest or guarantee, such as the Note Guarantee and security granted in connection with the issuance of the Notes, or providing credit support for their benefit. An administrator's right to challenge transactions can, depending on the circumstances, extend to transactions that have occurred up to ten years prior to the filing of the petition for commencement of insolvency proceedings. In the event such a transaction is successfully avoided, the Security Agent and noteholders would be under an obligation to repay the amounts received to the insolvency estate or to forfeit the security interest or Note Guarantee.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which term includes the issuance of guarantees and granting of security as well as the repayment of debt) may be avoided in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security (including a guarantee) or satisfaction (*Befriedigung*) (i) if such act was performed during the last three months prior to the filing of the petition for the commencement of the insolvency proceedings and the debtor was illiquid (*zahlungsunfähig*) at the time when such act was performed and the creditor had knowledge of such illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid) at such time or (ii) if such act was performed after the filing of the petition for the commencement of the insolvency proceedings and the creditor had knowledge of the illiquidity of the debtor or the filing of such petition (or of circumstances imperatively suggesting such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security (including a guarantee) or satisfaction to which such creditor was not entitled or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction if (i) such act was performed during the last month prior to the filing of the petition for the commencement of the insolvency proceedings or after such filing, (ii) such act was performed during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) such act was performed during the second or third month prior to the filing of the petition for the commencement of the insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or of circumstances that imperatively suggest that such act was detrimental to the other insolvency creditors);
- any transaction by the debtor that is directly detrimental to the insolvency creditors or by which a proprietary claim against a debtor is obtained or becomes enforceable if (i) it was entered into during the three months prior to the filing of the petition of the commencement of the insolvency proceedings, the debtor was illiquid at the time of such transaction and the counterparty to such transaction had knowledge of the illiquidity at such time or (ii) it was entered into after such filing and the counterparty to such transaction had knowledge of either the debtor's illiquidity or such filing at the time of the transaction;
- any act performed by the debtor during the ten years prior to the filing of the petition for the commencement of insolvency proceedings on or after such filing with the intent to prejudice the insolvency creditors and the other party knew of such intention at the time of such act;
- any act whereby a debtor grants security (including guarantees) for a third party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*), if it was effected in the four years prior to the filing of a petition for the commencement of insolvency proceedings against the debtor;
- any act that provides security (including a guarantee) or satisfaction for a shareholder loan made to the debtor or a similar claim if (i) in the case of the provision of security, the act occurred during the ten years prior to the filing of the petition for the commencement of the

insolvency proceedings or after the filing of such petition or (ii) in the case of satisfaction, the act occurred during the last year prior to the filing of the petition for the commencement of the insolvency proceedings or after the filing of such petition; and

- any act whereby the debtor satisfies for a loan payment claim or an economically equivalent claim of a third party if (i) the transaction was effected in the last year prior to the filing of a petition for commencement of insolvency proceedings or thereafter and (ii) a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

Furthermore, even in the absence of an insolvency proceeding, a third party creditor that has obtained an enforcement order but has failed to obtain full satisfaction of its enforceable claims by a levy of execution has, under certain circumstances, the right to avoid certain transactions, such as the payment of debt and the granting of guarantees and security interests pursuant to the German Act on Avoidance (*Anfechtungsgesetz*).

In addition, under German law, a creditor who provided additional, or extended existing, funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction is aware of any circumstances indicating that the debtor is close to financial collapse (*Zusammenbruch*), or has reason to enquire further with respect thereto.

Brazil

Any insolvency proceedings affecting any Collateral on assets located in Brazil and pledged by such security provider would likely be based on Brazilian insolvency law.

New Bankruptcy Law

On February 9, 2005, the Brazilian President sanctioned Law No. 11,101, the new Brazilian Bankruptcy and Restructuring Law ("*Law 11,101*"), which governs judicial recovery, extrajudicial recovery and bankruptcy proceedings. Law 11,101 came into effect on June 9, 2005 and is applicable to private corporations in respect of civil, commercial, labour and tax matters (depending on the case).

Judicial Recovery

In order to request judicial recovery, a debtor must: (i) conduct its business in a regular manner for more than two years; (ii) not be bankrupt (or, in the event that the debtor has gone bankrupt in the past, then all of its obligations arising therefrom must have been declared extinguished by a judgment not subject to appeal); (iii) not have another judicial recovery pending and not have been granted judicial recovery within the five years (or eight years, in the case of a small company, that is, among other requirements, a company with an annual gross revenue of up to BRL2,400,000) prior to its request; and (iv) not have been convicted (and not have a controlling partner or manager who has been convicted) for a bankruptcy crime. Also, it shall prove payment of all applicable taxes (article 191-A of Law No. 5.172), although in practice some courts have been accepting the filing without such proof. All credits existent at the time of the request for judicial recovery are subject to such procedure (including unmatured credits), except for tax credits and some special creditors (*i.e.*, creditors acting as fiduciary owners of real estate or movable properties, lessors of leasing agreements, owners or committed sellers of real estate under contracts with irrevocability clause, including for real estate developments, or owners under sale agreement with a title retention clause, and amounts paid to debtor resulting from advance payments of export agreements—paragraph 3 and 4 of article 49 of Law 11,101).

After the judicial recovery request is accepted by the court, there is a stay period of up to 180 days, during which creditors cannot bring or continue any legal or foreclosure proceedings against the debtor, except for those which relate to tax credits, employment credits and credits held by the special creditors indicated above. However, these special creditors cannot sell or remove assets which are deemed essential for the debtor's activities during the stay period (*i.e.*, up to 180 days from the granting of the judicial recovery request by the court). In the case of a pledge of receivables and other credit instruments, any funds received in the originally pledged account should be held by the creditor in a bound account during the stay period. After the stay period, the funds should return to the original pledged account (that is, amounts will be available to the creditor in the case of default).

Judicial recovery can be implemented by means of one or more of the following transactions, amongst others: (i) the granting of special terms and conditions for the payment of the debtor's obligations; (ii) spinoff, merger, transformation of the company, incorporation of a wholly owned subsidiary or the assignment of quotas or shares; (iii) transfer of corporate control; (iv) partial or total replacement of the debtor's management, as well as the granting to its creditors of the right to independently appoint management and of veto power; (v) capital increase; (vi) leasing of its goodwill; (vii) reduction of wages, compensation of hours and reduction of the workday, by means of collective bargaining; (viii) payment in kind or the renewal of the debtor's debts; (ix) creation of a company composed of creditors; (x) partial sale of assets; (xi) equalization of the debtor's financial charges; (xii) constitution of a usufruct on the company; (xiii) shared management of the company; (xiv) issuance of securities; and (xv) creation of a special purpose company for purposes of receiving the debtor's assets.

Up to 60 days after the judicial recovery request is accepted by the court, a judicial recovery plan must be submitted to the court. Creditors have up to 30 days after the publication of the list of creditors, or 30 days after the publication of the notice of filing of the judicial recovery plan, whatever happens later, to present objections to the judicial recovery plan. If there is any objection by creditors, the judicial recovery plan must be submitted to a general meeting of creditors for approval, according to specific voting criteria. Once a judicial recovery plan is in place: (i) it should not affect guarantees and security in favour of creditors, considering that, if the plan provides for the transfer of any assets subject to guarantee or security (*e.g.*, mortgage or pledge), the creditor entitled to such guarantee or security shall agree with that; (ii) the creditors and debtor must observe the terms and conditions of their respective contracts, unless they have agreed to different terms in the recovery plan; and (iii) all debts owed before the recovery petition was filed are novated (except those which are excluded from the judicial recovery).

Extrajudicial Recovery

Law 11,101 also created the extrajudicial recovery mechanism, by means of which the debtor who fulfills the requirements for judicial recovery (as explained in the preceding item) and (i) has not used judicial recovery or extrajudicial recovery in the past two years and (ii) does not have a request for judicial recovery pending may propose and negotiate with its creditors an extrajudicial recovery plan, which must be submitted to a court for approval (following such approval, the plan will be considered an apt instrument for enforcement). Extrajudicial recovery is not applicable, however, to credits from tax authorities, labor or workplace accident-related credits, nor to those credits excluded from judicial recovery. In addition, the request for court approval of the extrajudicial recovery plan will not entail suspension of the rights, suits and enforcement proceedings of those creditors not subject to such plan, any of which will still be entitled to request the debtor's bankruptcy. Once a recovery plan is in place, its terms and conditions govern those creditors which are subject to it.

Bankruptcy

According to Law 11,101, credits are classified in the context of a bankruptcy proceeding in the following, decreasing order of priority in payment: (i) costs of proceedings, including, among others, trustees' fees, costs of running the debtor's business during the proceedings, claims by creditors that granted credit to the debtor after the judicial recovery petition was filed; (ii) labor claims in general (limited to a maximum amount of 150 times the minimum Brazilian wage per creditor) and labor claims related to indemnification for workplace accidents; (iii) secured credits (limited to the value of the security); (iv) tax claims (except for tax fines); (v) claims enjoying special privileges (as defined in other statutes); (vi) claims enjoying general privileges (creditors who are so defined in the statutes); (vii) unsecured claims (creditors not provided for in the preceding items, balance of labor credits exceeding the 150-minimum wages limitation, and balance of secured credits exceeding the value of the respective security); (viii) contractual penalties and criminal or administrative fines, including tax fines; and (ix) subordinated claims (as provided for by law or contract, and creditors who are partners or managers of the debtor company but not in the context of a labor relationship).

In addition, in the event of bankruptcy, all debts which are denominated in foreign currency will be converted into Brazilian Real at the prevailing exchange rate on the date of declaration of the bankruptcy by the court. In addition, if the value of the debtor's assets is insufficient to pay creditors, no interest accrues on claims after the date of declaration of the bankruptcy by the court (except interest on debentures and secured claims, which can be paid from the proceeds of sale of the underlying security).

Law 11,101 establishes a limitation on the amount of the unpaid (without relevant legal cause) and protested note that entitles a creditor to request the bankruptcy of its debtor. Pursuant to Law 11,101, any such note must be in an amount in excess of 40 times the minimum Brazilian wage for purposes of allowing the commencement of bankruptcy proceedings. Creditors may, however, get together and pool the amounts of their notes so as to reach the minimum amount required by law. Law 11,101 also extended (i) from 24 hours to ten days the time period during which the debtor may present its defence in connection with a request for its bankruptcy and (ii) from 60 to 90 days (counted from either the date of the bankruptcy petition, of the request for judicial recovery or from the date of the first protest of a note due to its non-payment by the company) the maximum preference period (or legal term, as it is commonly known under Brazilian law) applicable in the context of a bankruptcy proceeding (see *hardening period and fraudulent transfer* below).

As a general rule, assets sold in the bankruptcy process are acquired free and clear of any encumbrances, and there will be no succession on the buyer's part of any labor, indemnification for workplace accidents, social security or tax natured obligations. Any employees of the bankrupt company hired by the buyer will be so pursuant to new employment agreements.

Hardening Period and Fraudulent Transfer in Insolvency

Under Law 11,101, a transaction can be voided (regardless of whether the parties intended to defraud creditors or the third party to the transaction knew of the debtor's financial difficulties) if it is deemed to constitute: (i) payment of a debt that was not due and payable made during the legal term of up to 90 days, as determined by the judge presiding over the bankruptcy procedure (counted from either the date of the bankruptcy petition, of the request for judicial recovery or from the date of the first protest of a note due to its non-payment by the debtor), referred herefrom as Brazilian preference period; (ii) payment made in a way which differed from those set out in the relevant agreement made during the Brazilian preference period; and/or (iii) a new security granted to existing debt, to the extent it was granted during the Brazilian preference period; (iv) a transaction for no consideration, entered into within two years prior to the declaration of bankruptcy; or (v) a sale of the debtor's business (*e.g.*, relevant assets and related goodwill) without prior consent or full payment of creditors if the value of the debtor's remaining assets is insufficient to pay its debts; unless unpaid creditors have been notified by means of a court notice or a notice from the titles and deeds registry of such sale and have not opposed it within 30 days.

In addition, the court may void a transaction if it is deemed to be entered into with the intention of defrauding creditors and if there is proof of the fraudulent collusion between the debtor and the third party involved in the transaction and of the damages suffered by the insolvent estate of the debtor because of the transaction.

Perfection of Security Interests

Under Brazilian law, the perfection of security interests over assets depends on certain registration requirements. Depending on the assets over which the security interest is to be created, the relevant security agreement (translated into Portuguese by a sworn translator, if executed in a foreign language) must be registered with the Registry of Titles and Deeds or with the Registry of Real Estate, as applicable. In addition, the perfection of security interests over certain assets may require additional formalities. This is the case for the perfection of security interests created over shares issued by a Brazilian company, which depends on the registration of the relevant liens in the company's shares registration books, with the relevant shares registration agent (if that is the case). In the case of limited liability companies, there is no specific legal provision allowing or specifying the procedure to register a security interest over its quotas. As a result, the security interest over quotas of a limited liability company may be challenged before Brazilian courts. Such security interests may be upheld in case it is registered in the company's by-laws and that such by-laws do not present any restriction to the assignment of company's quotas to third parties by any of the quota holders.

Until such registrations occur, the security agreement is not binding against third parties. In the case of security interests which are required to be registered with the Registry of Titles and Deeds, if the relevant security agreement is registered within 20 days from its execution date, the security interest created thereby shall be deemed effective against third parties as of the date of execution of such security agreement. If registered after 20 days from the execution date, it shall be deemed effective against third parties as of the registration date.

Under Article 129 of Law 11,101, in case of bankruptcy, all new security interests granted to existing debts, to the extent they were granted during the Brazilian preference period, are ineffective (see above).

China

Limitations on the Security Interest

Creating a pledge over shares in a company incorporated in the People's Republic of China ("*PRC*" or "*China*", for the purposes of this section, excluding Hong Kong, Macao and Taiwan) is subject to certain regulatory procedures. According to the Provisions for the Change of Equity Interest of Investors in Foreign-Invested Enterprises and the Measures for the Registration of Equity Pledge with the Administrative Organs for Industry and Commerce, any pledge over shares in an entity incorporated in China which is wholly or partially owned by foreign investors, commonly known as a foreign-invested enterprise ("*FIE*"), (a "*Chinese Equity Pledge*") is required to be (i) approved by the Ministry of Commerce of the PRC or its local authorized branch, as the case may be, and (ii) registered with the relevant administration for industry and commerce authority ("*AIC*"). Without the aforesaid approval and registration, a Chinese Equity Pledge cannot be validly granted under the laws of China. There is no assurance that the approval and registration of a Chinese Equity Pledge can be obtained in practice. This is because it is not certain that the laws described above will recognize the creation of a Chinese Equity Pledge in favor of an entity which holds such security for the benefit of third parties.

The creation of a pledge over shares in an FIE is also subject to other preconditions, such as the registered capital of the FIE being fully paid and the prior consents of the investors of the FIE being obtained. There is no assurance that such preconditions can be fulfilled.

Limitation on the Enforceability of the Chinese Equity Pledge

In the event that a Chinese Equity Pledge is not approved or registered with the competent PRC authority, there is no assurance that a Chinese court will issue an order for specific performance in favor of the beneficiary of such pledge. This is because (a) it is not certain whether the Security Law of the PRC (the "*PRC Security Law*") will recognize the validity of a share pledge in favor of an entity which holds such security for the benefit of third parties; and (b) even if a PRC court rules that the entity granting the Chinese Equity Pledge shall continue to perform the obligations required in connection with the perfection of the Chinese Equity Pledge, the PRC court will not be able to direct the other relevant PRC governmental authorities to approve or register the Chinese Equity Pledge.

Enforcement of the Chinese Equity Pledge

According to the PRC Security Law, a beneficiary of a share pledge or a pledge over other assets of a company incorporated in China, including an FIE (a "*Share Pledgee*"), and the entity that grants such a pledge (a "*PRC Pledgor*") are not permitted to agree in the relevant pledge contract that the ownership of the pledged assets shall be transferred to the Share Pledgee in case the Share Pledgee is not fully paid upon the maturity of the underlying debt. Accordingly, a Share Pledgee will not be able to possess the pledged shares without agreeing a purchase price for the relevant shares with the PRC Pledgor, or going through an auction/sale process or applying to the competent Chinese court for the enforcement of the pledge. If the value of the pledged shares realized on a sale or auction exceeds the amount of debts in respect of which the pledge was provided, an amount equal to the difference shall be retained by the Share Pledgee.

In the event that a PRC Pledgor agrees a purchase price with the Share Pledgee or the pledged shares are sold through an auction/sale, the relevant parties shall have to enter into a share purchase agreement (or an agreement of similar nature) and file such agreement (together with other application documents required by relevant authorities) with the competent PRC authority for approval. Consideration for such purchase/auction shall be ascertained by reference to the market value of the pledged shares, if any, and appropriate consideration will normally required in order to obtain such approval. Only upon the approval of the competent PRC authority, and subject to the completion of the registration with the competent AIC, will the Share Pledgee be deemed to be the holder of the pledged shares and the share transfer be deemed to be completed. In addition, in the event that a shareholder of the relevant FIE is an enterprise wholly or partially owned by the state, assets appraisal and filing of relevant appraisal result with competent authority are likely to be required.

In the event that a Share Pledgee applies for enforcement of a Chinese Equity Pledge to the competent Chinese court, the Chinese court will make a decision taking into various factors, including but not limited to those discussed in the section "*Service of Process and Enforcement of Civil Liabilities—China*".

An insolvency proceeding against an entity whose shares have been pledged will be subject to Chinese insolvency law. A Share Pledgee having the benefit of a Chinese Equity Pledge and who is not a creditor of the relevant FIE will not be able to claim any creditor's rights against the FIE nor will it be able to participate in the insolvency proceedings relating to the FIE. However, it is important to note that the pledged shares will no longer exist upon the liquidation and dissolution of the FIE whose shares have been pledged. According to the PRC Security Law, any compensation recovered from loss of the pledged property shall be the pledged property and the Share Pledgee will be entitled to such compensation to discharge the secured obligations. As a result of the dissolution and liquidation of the relevant FIE, the PRC Pledgor as a shareholder of the FIE will be entitled to a proportionate (consistent with its equity holding percentage) interest of the post-liquidation residual assets, if any, of the FIE, and such residual assets to be distributed to the PRC Pledgor shall be deemed to be assets pledged in favor of the Share Pledgee.

France

Limitation on Note Guarantees and security

Under French financial assistance rules, it is unlawful for a *société par actions* to give, whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purchase of, or subscription of its own shares or the shares of any parent company by a third party.

In addition under the French corporate benefit rules the granting of the Note Guarantees and security interest must fall within its corporate object and the French Guarantor must receive some real and adequate benefit. A court could void any guarantee and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant Guarantor, if the court found that the French Guarantor did not derive an overall corporate benefit from the transaction involving the grant of the guarantee as a whole. There is no statutory definition of corporate benefit in France and as a result existence of corporate benefit is a factual matter which must be determined on a case-by-case basis by the relevant courts. Based on current case law:

- the company giving the guarantee must itself receive an actual benefit or advantage (direct or indirect) from the transaction involving the giving of the guarantee taken as a whole which is commensurate with the liability which it takes on under the guarantee;
- the financial commitment assumed by the Guarantor must not exceed its financial capability; and
- as regards group benefit, the Guarantor and the person whose obligations are being guaranteed must belong to the same group and have real common economic purposes and policy, and the guarantee, and the transaction to which it relates, must be entered into in furtherance of the common economic interest of the group as a whole (not just its shareholders) and the liability under the guarantee should be commensurate with such group benefit.

Enforcement of guarantees is subject to certain defenses available to guarantors incorporated in the form of a French limited liability company generally. Also, enforcement of the Note Guarantee granted by a French Guarantor will be subject to the following limitations:

- the obligations and liabilities of a French company under its Note Guarantee will not include any obligation or liability which if incurred would constitute the provision of financial assistance within the meaning of article L.225-216 of the French Commercial Code and/or would constitute a "*misuse of corporate assets or powers*" within the meaning of article L.241-3 or L.242-6 of the French Commercial Code or any other law or regulations having the same effect, as interpreted by French courts; and

- the obligations and liabilities of a French company under its Note Guarantee for the obligations of any affiliate company (other than any of its subsidiaries) shall be limited, at any time, to the payment obligations of the Issuer under the Notes, the Indenture and the other documents related to the Notes from time to time up to the aggregate amount of proceeds from the Offering of the Notes under such documents directly or indirectly on-lent by the Issuer to that French company, if any, and outstanding from time to time (the "*Maximum Guaranteed Amount*").

Consequently, the Note Guarantees granted by each of France Bidco and ECB France will be limited to the portion of the proceeds (if any) of the Offering on-lent, directly or indirectly, to the relevant Guarantor out of the proceeds of the Offering of the Notes.

Moreover, it should be noted that certain French Guarantors have also granted a guarantee in favor of the Revolving Credit Facility lenders to secure the payment obligations of borrower under the Revolving Credit Facility (the "*French RCF Guarantee*"). This up-stream guarantee is granted on terms substantially similar to those set forth above and is *pari passu* with the guarantee granted in favor of the holders of the Notes (the "*French Note Guarantee*"). Any payment made by a French Guarantor under the French RCF Guarantee or the French Note Guarantee will be deemed to reduce *pro tanto* the outstanding amount of the direct or indirect intercompany loans (if any) due by the relevant French Guarantor to the Issuer or to the borrower or an affiliate of the French Guarantor under the Revolving Credit Facility respectively.

For the avoidance of doubt, any obligations or liabilities that may arise from a French company acting jointly and severally with other guarantors (including as applicable as co-*débiteur solidaire*) are subject always to the limitations set out in the preceding paragraphs.

Parallel Debt

Under French law, certain "*accessory*" security interests such as pledges require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim, unless they act as fiduciary under Article 2011 of the French Civil Code or as Security Agent under Article 2328-1of the French Civil Code. The Intercreditor Agreement will provide for the creation of a "*parallel debt*". Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the documents related to the Notes and the Intercreditor Agreement. The pledges governed by French law will directly secure the parallel debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the secured assets. Although the enforceability in France of certain rights (the filing of claims in safeguard proceedings) of a security agent benefitting from a parallel debt was recognised for the first time by a French court of appeal in September 2010, there is no assurance that such a structure will be effective in all cases before French courts. Indeed such a decision should not be considered as a general recognition of the enforceability in France of the rights of the Security Agent benefitting from a parallel debt. To the extent that the security interests created under the parallel debt structure are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interest in the secured assets.

Perfection of Security Interest—Soulte

The pledges over shares of French companies may be enforced at the option of the secured creditor either by a sale of the pledged shares in a public auction (the proceeds of the sale being paid to the secured creditors), by judicial foreclosure (*attribution judiciaire*) or by contractual foreclosure (*attribution conventionnelle*) of the shares to the secured creditor, following which the secured creditor is the legal owner of the pledged shares. In a proceeding for *attribution judiciaire* or *attribution conventionnelle*, an expert is appointed to value the collateral (in this case, the pledged shares) and if the value of the collateral exceeds the amount of secured debt, the secured creditors may be required to pay the obligor a soulte equal to the difference between the value of the shares and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditors from a subsequent sale of the Collateral.

Consequently, in the event the lenders under the Revolving Credit Facility or the holders of the Notes decide to, and are entitled to, enforce the share pledges through a judicial or contractual foreclosure and if the value of such shares exceeds the amount of the secured debt, the lenders under the Revolving Credit Facility and the holders of the Notes may be required to pay the relevant pledgors a soulte equal to the value by which such shares exceeds the amount of the secured debt.

If the value of such shares is less that the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such shares, and the remaining amount owed to such creditors will be unsecured.

French Insolvency Law

In the event of an insolvency event affecting a French Guarantor, insolvency proceedings may be initiated in France. Such proceedings would be governed by French law, and any enforcement action with respect to the related share pledge agreements will be subject to French bankruptcy law. In addition, even though the Issuer is incorporated in Germany, French courts may have jurisdiction, in accordance with the EU Insolvency Regulation, to commence insolvency proceedings if the Issuer's center of main interests is located in France. However, as noted above, in the absence of proof to the contrary, the place of the Issuer's registered office shall be presumed to be its center of main interests. Should the Issuer's center of main interests be deemed to be situated in France, the Issuer should be eligible to French pre-insolvency proceedings (mainly *mandat ad hoc* and *conciliation*) and to voluntary safeguard proceedings (*sauvegarde*), reorganization and liquidation (*redressement* or *liquidation judiciaire*) proceedings.

The following is a brief description of certain aspects of insolvency law in France. French entities may request the commencement of such pre-insolvency proceedings (such as *mandat ad hoc* and *conciliation*, which are voluntary, non-judicial amicable settlement of debts proceedings). However, the commencement of such pre-insolvency proceedings should have no impact on the security referred to above.

Grace Periods

Pursuant to Article 1244-1 of the French Civil Code, French courts may, in any civil proceeding involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule the payment dates or payment obligations over a maximum period of two years. In addition, pursuant to Article 1244-1 of the French Civil Code, if a debtor specifically initiates proceedings thereunder, French courts may decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate (but not lower than the legal rate) or that payments made shall first be allocated to repayment of the principal. If a court order under Article 1244-1 of the French Civil Code is made, it will suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by the court.

Court-Assisted Pre-Insolvency Proceedings

Mandat ad hoc and conciliation proceedings are informal proceedings carried out under the supervision of the president of the court, with a view to reaching an agreement with the company's main creditors in particular by reducing or rescheduling its indebtedness. Pre-insolvency proceeding such as mandat ad hoc and conciliation proceedings may only be initiated by the debtor company itself, at its sole discretion, provided that it experiences or anticipates legal, economic or financial difficulties (i) while still being able to pay its debts as they fall due out of its available assets (*i.e.*, the company is not in *cessation de paiements*) in case of mandat ad hoc or conciliation proceedings or (ii) while being in *cessation de paiements* for less than 45 days in case of conciliation proceedings only.

Mandat ad hoc proceedings are confidential. The agreement reached by the parties (if any) may be reviewed by the court but, unlike in conciliation proceedings, French law does not provide for specific consequences attached to such review. There is no time limit for the duration of mandat ad hoc proceedings.

Conciliation proceedings may last up to five months. If an agreement is reached among the parties, such agreement may be either acknowledged (*constaté*) by the president of the court or approved (*homologué*) by the court. The approval (*homologation*) by the court is subject to the following conditions being met: (i) the company debtor is not in *cessation des paiements* (*i.e.*, being unable to pay its debts as they fall due out of its available assets) or, if it has, the agreement will end that stage, (ii) the continuity of the company' business operations is assured and (iii) the agreement is not detrimental to the interests of non participating creditors. While the acknowledgment of the agreement by the president of the court does not entail any specific consequences, the approval (*homologation*) by the court will have the following consequences:

- creditors who provide new money or goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will enjoy a priority of payment over all pre-proceedings and post-proceedings claims (other than certain post-proceeding employment claims and procedural costs), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the *cessation des paiements* cannot be fixed by the court as of a date earlier than the date of the approval of the agreement (see below the definition of the date of the *cessation des paiements*).

The company retains the right to petition for debt rescheduling pursuant to Article 1244-1 of the French Civil Code as described above. The conciliation proceedings in the context which a draft plan has been negotiated and is supported by a large majority of creditors without reaching unanimity will be a mandatory preliminary step of *procédure de sauvegarde financière accélérée* as described below.

Safeguard Procedure (procédure de sauvegarde)

The safeguard procedure allows for the establishment of a restructuring plan negotiated with the creditors under court supervision before the company becomes unable to pay its due debt out of its available assets (*cessation de paiements*). It is available only at the request of a debtor company. The objectives of safeguard proceedings are, in order of priority, to safeguard the debtor's activity and prospects of recovery, to safeguard jobs and to pay creditors The debtor must be cash flow solvent (*i.e.*, not unable to pay its due debts out of its available assets) but experiencing difficulties that cannot be overcome. Safeguard proceedings are public and include an automatic stay of all actions against the debtor during the observation period, *i.e.*, for up to six months, renewable for an additional six months with court approval and which can be extended to a maximum of 18 months upon request of the public prosecutor. During the safeguard procedure, payments by the debtor of any debts incurred prior to the commencement of the procedure are prohibited, subject to limited exceptions. The supervising judge of the bankruptcy court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the business or get back goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*). Debts arising after the commencement of the safeguard procedure for the purposes of the procedure or the observation period, or in consideration for a service rendered to the company in connection with its business during the observation period must be paid at due date and benefit from a super priority lien. Such debts rank ahead of all other liens and security, except for certain categories of preferred claims (*e.g.*, employees claims), new money made available under a court approved *conciliation* agreement, certain secured claims. One of the main features of the safeguard procedure consists in the creation of two creditors' committees (mandatory for companies employing more than 150 persons or with a turnover exceeding twenty million euros, optional below such thresholds), one consisting of banks and financial institutions and the other of the main trade creditors (creditors whose claim is equal to more than 3% of the company's total debt to its trade creditors), and a general meeting of noteholders (comprising all holders of all notes issued by the company even they relate to different issues) in the event the relevant debtor has issued notes, to which the debtor submits proposals to reach agreement on a restructuring plan. The committees must accept or reject proposals for a plan within a minimum of 15 days of such proposals. The plan is approved where members of each committee voting in favor of the plan account for at least two-thirds of the outstanding claims of the creditors expressing a vote. The creditors not affected by the proposed restructuring plan or who will be paid in full and in cash when such plan is approved by the court (see below) or as soon as their claim has been admitted do not participate in the vote. In cases where notes have been issued by the relevant French company, the plan, if approved by the committees, is then submitted to the general meeting of noteholders (majority of two-thirds of the outstanding claims of the noteholders expressing a vote). The committees and the general meeting of noteholders, if any, shall vote on the plan within 6 months of the date of the judgment commencing the proceedings. The plan submitted to the committees and the noteholders, if any, may include not only rescheduling of debts but also cancellation of debts and debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent). It may not include the sale of the business as a whole however, although the cessations or sale of part of the business is permitted if necessary to the reorganization of the company. Following approval by the creditors' committees and the general meeting of noteholders, if any, and subject to verification by the court that creditors' interests are adequately preserved, the court can approve the plan, in which case the plan will be binding on all members of the committees and on noteholders, including also on dissenting members of the committees and on noteholders (if any). Creditors which are not members of committees and which are not noteholders are not bound by the plan and are consulted on an individual basis. For those individual creditors which have not reached an agreement, the court can reschedule repayment of their claims over a maximum period of 10 years, except for debts with maturity dates of more than 10 years, in which case the maturity date may remain the same. The court cannot oblige such creditors to waive part of their claim. The first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual installment must be of at least 5% of the total admitted pre-petition claims). The court can also impose a plan if one or both of the committees or, the noteholders' general meeting, does not approve the debtor company's proposed plan, either by failing to vote within the specified 6-month period or by rejecting the plan. In such a case, the rules are the same as the one applicable to creditors which are not members of the committees and which are not noteholders (in particular, the court can only impose a rescheduling of the repayment of the debts over a maximum period of 10 years, except for debts with maturity dates more than 10 years, in which case the maturity date may remain the same). The same procedure applies where the committees are not required because the company does not satisfy the above-mentioned threshold.

Accelerated Financial Safeguard Procedure (procédure de sauvegarde financière accélérée)

Pursuant to by law No. 210-1249 of October 22, 2010 (entered into force on March 1, 2011), accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*) may be opened against a company, at such company's request if (i) while not being in *cessation des paiements*, it is facing difficulties which it cannot overcome, (ii) its turnover or number of employees are in amount (currently 150 employees or € 20 million of turnover) making it eligible to the adoption of a safeguard plan through the creditor's committee process, (iii) it is subject to a conciliation proceeding and (iv) the company justifies that it has prepared a draft plan ensuring the continued operation of the company as a going concern which has enough support from its credit institution creditors and its noteholders that it is reasonably likely to be adopted within one, or a maximum of 2, months.

Accelerated safeguard proceedings essentially take place like safeguard proceedings described above with the major exception that (i) creditors other than banks, financial institutions and noteholders are not affected by the opening of the proceedings and continue to be paid as if no proceeding had been opened; (ii) a proof of claim filing process is simplified for creditors who participated in the conciliation proceedings (claims mentioned on the list of claims filed by the debtor with the clerk's office of the relevant court are deemed to be filed) and (iii) if a plan cannot be adopted within a maximum of 2 months, the court ends the accelerated financial safeguard proceedings.

Judicial Reorganization (redressement judiciaire)

A judicial reorganization may be initiated if the company cannot pay its due debts out of its available assets (*en cessation des paiements*) provided that its recovery seems possible. Such proceedings may be initiated by the company, a creditor, the court or the public prosecutor. The debtor is required to petition for insolvency proceedings within 45 days of becoming in *cessation des paiements* unless it has initiated a conciliation procedure within the same period. If it does not, directors and, as the case may be, *de facto* managers, may be subject to civil liability. The objectives of judicial reorganization proceedings are the same as those of safeguard proceedings. Most of the rules applicable to safeguard proceedings apply to judicial reorganization proceedings (notably automatic stay of proceedings against the debtor), adoption of the reorganization plan by two creditors' committees and a general meeting of noteholders. A few key differences are (i) the mission of the administrator which can be either of assistance or representation (taking over the management of the company) and (ii) the application of claw-back rules referred to below. If it appears that the debtor is not able to insure the recovery discharge of liabilities at the end of the observation period, a total or partial sale of the business can be ordered by the court, to purchasers who have submitted bids, based on administrator's report. If the court considers that the company cannot be rescued, it will decide its judicial liquidation.

Judicial Liquidation (liquidation judiciaire)

Such proceedings may be initiated by the company, a creditor, the court or the public prosecutor. The aim of these proceedings is to liquidate a company by selling its business, as a whole or per branch of activity, or its assets one by one. The debtor is required to petition for insolvency proceedings within 45 days of becoming in *cessation des paiements*. The bankruptcy court commences a judicial liquidation rather than a judicial reorganization when it considers that the debtor is unable to continue its business or that there are no serious chances of improving the company's prospects through restructuring. Liquidation proceedings trigger an automatic stay of proceedings against the company. However, secured creditors benefiting from a pledge are, where the applicable security arrangements so contemplate, entitled to enforce their security interest through a court-monitored allocation process (*attribution judiciaire*) (*i.e.*, request the court to transfer ownership of the pledged asset(s)).

Void and Voidable Transactions

Transactions may be challenged by the *administrateur judiciaire*, *mandataire judiciaire*, the *commissaire à l'exécution du plan* supervising the execution of the plan, liquidator or public prosecutor if they are entered into during the so-called avoidance or "*suspect*" period before an insolvency judgment (*période suspecte*). This period runs from the date on which the company is deemed to be insolvent, which can be backdated by the court up to 18 months before the judgment commencing the relevant insolvency proceedings, but not to a date before any court order approving a conciliation agreement (*homologation*). Transactions that are automatically void if performed during the suspect period include transactions or payments that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the company significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business or security granted for debts previously incurred and provisional measures (unless in this latter case the writ of attachment or seizure predates the date of *cessation des paiements*). Voidable transactions include transactions or payments made when due after the date of *cessation des paiements*, if the party dealing with the company knew or should have known that it was in a state of *cessation des paiements*. Transactions relating to the transfer of assets for no consideration are also voidable when realized during the six-month period prior to the beginning of the suspect period.

Status of Creditors

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of the proceedings must file a claim with the creditors' representative within two months of the publication of the court order in the *Bulletin Officiel des Annonces Civiles et Commerciales*; this period is extended to four months for creditors domiciled outside France. Creditors which have not submitted their claims during the relevant period are barred from receiving distributions made in connection with the proceedings and their unasserted claims and will not be repaid if the debtor has complied with its payment obligations under the safeguard or reorganization plan as approved by the bankruptcy court. Employees are not subject to such limits and are preferential creditors under French law. From the date of the court order commencing the insolvency proceedings (*sauvegarde, redressement* or *liquidation judiciaire proceedings),* the company is prohibited from paying debts outstanding prior to that date, subject to specified exceptions, which essentially concern the set-off of inter-related debts and payments made to recover assets where such recovery is authorized by the supervising judge of the bankruptcy court. During this period, creditors may not pursue any legal action against the company with respect to any claim arising prior to the court order commencing the proceedings if the objective of such legal action is: (a) to obtain an order for or payment of a sum of money by the company to the creditor (however, the creditor may require that a court fix the amount due); (b) to terminate a contract for non-payment of amounts owed by the company; or (c) to enforce the creditor's rights against any assets of the company. Contractual provisions that would accelerate the payment of the company's obligations upon the occurrence of (i) the commencing of safeguard, or judicial reorganization proceedings or (ii) a state of *cessation des paiements*, are not enforceable under French law. The commencement of liquidation proceedings, however, automatically accelerates the maturity of the company's obligations. If, however, the court authorizes the company to continue its activity because a sale of all or part of the business is feasible, the company's obligations which have not yet matured shall only mature as at the date of the judgment ordering such sale. The administrator may elect to terminate or continue on-going contracts (*contrats en cours*) provided that the company fully performs its post-petition contractual obligations. French insolvency law assigns priority to the payment of certain preferential creditors, including employees, the court, officials appointed by the court as required by the insolvency proceedings, new money granted in the context of a sanctioned conciliation agreement, post-petition creditors, certain secured creditors and the French tax authorities.

In accelerated financial safeguard proceedings however:

(i) the rights of creditors other than banks, financial institutions and noteholders are not modified by the opening of such proceedings and they should be paid in the ordinary course, and

(ii) the debtor draws a list of the claims of its creditors having participated in the conciliation proceedings which is certified by its statutory auditors and filed with the commercial court and which is deemed to be a filing of their proof claim by such creditors if they do not file their claim within the general deadlines applicable in other insolvency proceedings referred to above.

Trust

As there is currently no established concept of "*trust*" or "*trustee*" under French law, the precise nature, effect and enforceability of the duties, rights and powers of a security agent as agent or trustee for noteholders in respect of security interests such as pledges are debated under French law. A concept of fiduciary agent (*fiduciaire*) was recently incorporated in French law, but the effects of this incorporation on the recognition of foreign-law governed "*trusts*" are not yet determined. However, article 2328 of the French civil code enables a security agent to take, perfect and enforce security for the account of the creditors of the secured obligations.

Hong Kong

Insolvency

The following is a brief description of certain aspects of insolvency law in Hong Kong:

Under Hong Kong law, there are two main forms of liquidation (or winding-up) procedure:

(a) compulsory liquidation, which occurs following the court's acceptance of a petition presented by a company incorporated in Hong Kong (a "*Hong Kong Company*") contributory or creditor or the company itself. A creditor may petition for the winding up of a Hong Kong Company on the ground that, among other things, the Hong Kong Company "is unable to pay its debts". The Companies Ordinance of Hong Kong sets out the circumstances in which a company will be deemed to have such inability. These include:

- failure to pay a debt of at least HK$10,000 within three weeks of service of a formal demand;
- where execution process on a judgment or court process in favour of a creditor of the Hong Kong Company has been returned unsatisfied in whole or in part; and
- where it is otherwise proved to the satisfaction of the court that the Hong Kong Company is unable to pay its debts and, in determining whether a Hong Kong Company is unable to pay its debt, the amount court will take into account the contingent and prospective liabilities of the Hong Kong Company.

(b) voluntary liquidation, a procedure conducted out of court which generally occurs where the shareholders of a Hong Kong Company pass a special resolution to place the Company into liquidation. If a majority of the Hong Kong Company's directors have made a declaration of solvency stating that the Hong Kong Company will be able to pay its debts in full within the 12 months after commencement of the winding-up, the liquidation will be a members' voluntary liquidation. In the absence of such a declaration, the liquidation will be a creditors' voluntary liquidation. In addition, there is a special procedure under section 228A of the Companies Ordinance of Hong Kong for the directors of a Hong Kong Company to resolve at a directors' meeting that a Hong Kong Company be wound up on the grounds that it cannot, by reason of its liabilities, continue its business.

There are other grounds for granting a winding-up order, such as where the court is of the opinion that it is just and equitable that the Hong Kong Company should be wound up.

Provisional liquidators may be appointed to protect the assets of a Hong Kong Company between the date of petition for the Hong Kong Company's winding-up and the date on which a winding-up order is made, when the court can be persuaded that the assets of the Hong Kong Company are in jeopardy. The appointment of provisional liquidators triggers a stay of enforcement of creditors' claims on the basis that provisional liquidators have therefore been appointed to assist in exploring a restructuring. This is only possible, however, if there is jeopardy to the assets of the Hong Kong Company which justifies the appointment of a provisional liquidator in the first place. A provisional liquidator's powers are limited by the terms of his or her appointment order.

Upon the appointment of a liquidator or a provisional liquidator, the right to manage and dispose of the business and assets of the Hong Kong Company passes to the liquidator or (as the case may be) the provisional liquidator.

Hong Kong insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims separately. Accordingly, unsecured creditors may file their claims in the insolvency proceedings and will, subject to certain preferential payments to be paid first, receive a distribution from the liquidator on a *pari passu* basis.

There is no statutory reorganisation in Hong Kong, but it is possible for creditors of a Hong Kong Company to attempt to negotiate an informal contractual restructuring agreement with the Hong Kong Company.

Schemes of arrangement are provided under s166 of the Companies Ordinance of Hong Kong and, although not strictly an insolvency procedure, involve a compromise or arrangement between a Hong Kong Company and its creditors or members (or any class of them). A scheme will require the agreement of 50% in number and 75% in value of creditors and members (or classes of them) and if approved by the court will become binding on all creditors. The court maintains a discretion whether to sanction a scheme and will consider compliance with the statutory process, whether the majority approving the scheme is acting in good faith and whether the scheme is fair to all creditors in the circumstances. Where there are different classes of creditors (e.g. contingent or unsecured) each class is required to hold separate meetings to discuss and consider the scheme proposals. The terms of each scheme of arrangement will vary, however they usually require variation of contractual terms, waiver of part of creditor claims and exchanges of debt for equity. The process by which a scheme of arrangement is sanctioned does not provide any stay on enforcement. Creditors therefore retain the ability to seek to enforce their claims through obtaining judgment or to present a winding-up petition, although the Hong Kong court has been persuaded to exercise its discretion to refuse to make a winding-up order whilst a restructuring proposal is put to creditors through a scheme.

Corporate Authorization

Under Hong Kong law, a transaction of a Hong Kong Company (such as the creation of security over its property) may be void if it is beyond the powers of the directors and/or the Hong Kong Company under the its articles of association and/or memorandum, and/or is not for a proper corporate purpose (for instance, the transaction is beyond the scope of the articles of association, the transaction is not in the best interest of the Hong Kong Company and/or the directors are not entering into the transaction for the furtherance of the substantive objects of the Hong Kong Company). In addition, in the case of giving upstream or cross-stream guarantees or any other types of security, it is usual practice for such guarantees and securities to be approved by a shareholders' and/or directors' resolutions authorizing or subsequently ratifying the giving of such guarantee or security. However, this does not prevent the possibility of challenge by a liquidator (in that, when the Hong Kong Company is insolvent, directors owe their duties to creditors, as well as shareholders).

Financial Assistance and Whitewash Procedures

A general prohibition exists under section 47A of the Companies Ordinance of Hong Kong against the giving of financial assistance by a Hong Kong Company, directly or indirectly, for the purpose of the acquisition of its own shares or shares of its holding company or companies. Financial assistance includes the giving of loans, guarantees and security. However, even if a transaction constitutes financial assistance, it can still be legal and valid if certain "whitewash procedures" set out under sections 47E–48 of the Companies Ordinance are implemented. These provisions provide a mechanism for such financial assistance (where the Hong Kong Company involved is an unlisted company), provided that certain requirements be complied with. These requirements include the following:

- the financial assistance provided should not result in a reduction of the Hong Kong Company's net assets, or if it does, the assistance should be provided out of distributable profits;
- a majority of the directors need to make a solvency statement (in the form of a Form SC7) setting out the details and purpose of the financial assistance (in particular, they have to confirm that in their opinion that the Hong Kong Company will be able to pay its debts as they fall due in the next 12 months);
- a member's special resolution must be passed at a general meeting of the Hong Kong Company approving the giving of financial assistance within 30 days of the solvency statement described above; and
- unless all voting members of the Hong Kong Company vote in favour of the special resolution noted above, financial assistance may only be given upon expiry of four weeks of the date of the special resolution. There is also a maximum time limit imposed on giving financial assistance whereby it cannot be given after the expiry of three months from the date on which the directors make the solvency statement described above.

Registration of Security Interest

Certain types of charges created by a Hong Kong Company must be registered with the Hong Kong Companies Registry within five weeks of such charge being created (in order to perfect the charge), otherwise the charge will not be recognized in any proceedings instituted by a liquidator or any other creditor of the relevant Hong Kong Company. Failure to register the charge in time may also result in the Hong Kong Company and its officers being subject to a fine.

Enforcement of Security on Liquidation of a Hong Kong Company

In the event of insolvency of a Hong Kong Company, its secured creditors will have priority over other unsecured creditors in respect of competing claims over the assets of the insolvent company, save only for priority debts (such as taxes), provided that the security is perfected as described in the section above. Such secured creditors may also realize the charged asset and be paid from the sale proceeds of such charged asset.

However, the granting of security by a Hong Kong Company, which subsequently goes into liquidation, may be set aside by court order (on an application by a liquidator) if the transaction constitutes an unfair preference. An unfair preference occurs when an insolvent company carries out any act during a certain period leading up to the commencement of the winding-up that puts a creditor in a better position than it would otherwise have been in. Liquidators are empowered to review any transactions granting security which took place in the six months before the commencement of the winding-up proceedings to ascertain whether any of the relevant transactions constitutes an unfair preference. However, if it appears that the unfair preference has taken place in favour of an associate of the company, the liquidator is permitted to look back up to two years to overturn transactions of this nature.

Furthermore, disposition of property made by a Hong Kong Company (such as the creation of security over such property), with intent to defraud its creditors, shall be voidable, except if the disposition is for valuable consideration and in good faith, or upon good consideration and in good faith to any person not having, at the time of the disposition, notice of the intent to defraud creditors. This rule applies at all time, irrespective of when the transaction was entered into and/or whether the Hong Kong Company was insolvent at the time or as a result of the disposition.

A court of Hong Kong may also, on the application of the liquidator, set aside the whole or part of the Hong Kong Company's obligations (and make other orders) with respect to a transaction for, or involving, the provision of credit to the Hong Kong Company if that transaction is or was extortionate and was entered into in the period of three years ending on the winding up of the Hong Kong Company.

In addition, the disposal of any property (which includes the creation of security over such property) of a Hong Kong Company between time of presentation of a petition for liquidation and the making of a liquidation order by the court is void. A recipient of any property so disposed or transferred must be returned to the liquidator, unless the recipient applies to court to declare the disposal valid (this can be done either before or after the disposal). The court only declares a disposal valid if it is satisfied that the transfer does not have the effect of reducing the assets of the relevant Hong Kong Company available for distribution to creditors.

Italy

A Guarantor of the Notes which is incorporated under the laws of Italy (the "*Italian Guarantor*") may be subject to Italian laws governing creditors rights and bankruptcy and restructuring proceedings.

Italian Bankruptcy Law—Insolvency

This paragraph sets out a brief description of certain aspects of the insolvency laws of Italy.

In Italy, the courts play a central role in the insolvency process. However, a recent reform of the Italian insolvency rules provided for out-of-court restructuring proceedings that can be implemented upon the occurrence of certain conditions.

Under Italian law, the insolvency (*insolvenza*) of a company is ascertained and declared by a court. Insolvency occurs at a time when a debtor is no longer able to regularly meet its obligations as they fall due. This must be a permanent, and not a temporary, status, without prejudice to what is specified below with reference to the procedures aiming at the return *in bonis* of the company.

The following insolvency or restructuring proceedings are available under Italian law for, as the case may be, companies facing financial difficulties, companies in a state of temporary crisis or insolvent companies:

- Bankruptcy (*fallimento*): it has two main aims: (i) the liquidation of the insolvent debtor's assets and distribution of the relevant proceeds to creditors and (ii) the protection of the principle that the creditors of the insolvent debtor should be treated equally.
- Composition agreement (*Concordato preventivo*): a company, which is insolvent or in a situation of financial distress that has not been declared insolvent by the court, has the option to seek an arrangement with its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings.
- Extraordinary administration for large insolvent companies pursuant to Italian Legislative Decree No. 270/99 (*amministrazione straordinaria delle grandi imprese in crisi di cui alla Legge Prodi bis*, so called "*Prodi procedure*"): it is established for major industrial and commercial companies where the two primary aims are first to maintain the business working by continuing, restarting or converting it and, second, to liquidate the debtor's assets for the satisfaction of creditors. These aims may be competing and often are generally balanced by the sale and/or lease of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold and/or leased. To qualify for this procedure the company (i) must have employed at least 200 employees in the previous year and (ii) must have debts of at least two thirds of the assets shown in its financial statements and two-thirds of its income from sales and provision of services during the last financial year.
- Extraordinary administration for large insolvent companies pursuant to Italian Law Decree No. 347/2003 (*amministrazione straordinaria delle grandi imprese in crisi di cui alla Legge Marzano*): introduced on 2003 and known as "*Marzano procedure*", it is complementary to the Prodi procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure was commenced and at least €300 million of debt.

- Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*): this proceeding provides that it is possible for a company in financial difficulty to reach a restructuring agreement with its creditors and submit it to the competent Court. Provided that said agreement is approved by the Court, all acts, payments, guarantees and security interest executed or granted in order to implement such restructuring agreement are not subject to claw back actions if said company is then submitted to bankruptcy (article 182-bis and article 67 letter (e) of the Royal Decree 16 March 1942, n. 267, as amended from time to time, hereinafter the "*Italian Bankruptcy Law*").
- Certified reorganization plans (*piani attestati di risanamento*): it is an out-of-court composition agreement implemented through a certified reorganization plan (*piano attestato di risanamento*), the aim of which is to restructure the debtor's liabilities and rebalance its financial position. This is an informal procedure with no court involvement. In the event that the reasonableness of the plan is certified by an expert, if the debtor is then declared bankrupt, the acts, payments, guarantees and security interest executed or granted according to a certified reorganization plan are not subject to claw back actions (article 67 letter (d) of the Italian Bankruptcy Law).

Bankruptcy

A request to declare a debtor bankrupt and to commence a bankruptcy proceeding (*fallimento*) for the judicial liquidation of the assets of a debtor can be made by the same debtor, one or more creditors and, in certain cases, by the Republic Attorney Office (*pubblico ministero*). The bankruptcy is declared by the competent bankruptcy court which must ascertain insolvency of the debtor. Upon the commencement of a bankruptcy proceeding:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period;
- the administration of the debtor and the management of its assets pass from the debtor to the receiver; and
- any act (including payments) made by the debtor, other than those made through the receiver, after a declaration of bankruptcy with respect to the creditors is ineffective.

The bankruptcy proceeding is carried out and supervised by a court appointed receiver, a deputy judge and a creditors' committee. The receiver is not a representative of the creditors and the creditors committee, as specifically provided for by law, has in some cases, an authorization power over the receiver and, in general, consultation functions over the latter and vigilance authority over the bankruptcy proceedings. The receiver is responsible for the liquidation of the assets of the debtor for the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. Italian law provides for priority to the payment of certain preferential creditors, including employees and the Italian judicial and social security authorities and treasury.

The statutory priority assigned to creditors under Italian law may be different than priorities in the United States and certain other European jurisdictions. Under Italian law, the highest priority claim (after the costs of the proceedings are paid) are the claims of creditors of the proceedings (*crediti prededucibili*), which concern, *inter alia*, credits arisen on request of the receiver after the proceedings have commenced. The next priority is secured creditors with privileges (*crediti privilegiati*; a preference in payment provided for by law) which include the claims of the Italian tax and social security authorities and claims for employee wages that arose before the insolvency has been declared (including severance pay), mortgages (*crediti ipotecari*) and pledges (*crediti pignoratizi*) and other claims provided for by law. The remaining funds are distributed among the unsecured creditors (*creditori chirografari*).

Limitations on Enforcement

Fraudulent Transfer Provisions Pending the Bankruptcy Proceedings

Upon the declaration of bankruptcy, the following acts would be without effects (*privi di effetto*) as provided for by articles 64 and 65 of the Italian Bankruptcy Law vis-a-vis the creditors:

- all gratuitous acts (such as, under certain circumstances, the guarantees and those acts entered into for the benefit of third parties) entered into by the debtor in the two years preceding the declaration of bankruptcy; and
- the payments of receivables falling due on the day of the declaration of bankruptcy or thereafter, made by the debtor in the two years preceding the declaration of bankruptcy.

In addition, upon the declaration of bankruptcy, the following acts could be revoked (*revocati*) as provided for by article 67 of the Italian Bankruptcy Law (the result of which is a declaration of ineffectiveness as to the bankruptcy), unless the defendant in the related action proves that it was unaware of the state of insolvency of the debtor:

- the non-gratuitous acts (including guarantees, agreements and payments), made within the period of one year preceding the declaration of bankruptcy, if the value of the obligation performed or entered into by the debtor exceeds by more than 1/4 the value of what has been given or promised in exchange to it;
- the acts aimed to satisfy the requests of payment of creditors, made by the debtor within the period of one year preceding the declaration of bankruptcy, by non-ordinary means of payment;
- the pledges and voluntary mortgages established within the period of one year preceding the declaration of bankruptcy, for pre-existing and un-matured debts; and
- the pledges and voluntary and judicial mortgages established within the period of six months preceding the declaration of bankruptcy, for past due debts.

Moreover, should the receiver prove that the defendant in the related action was aware of the state of insolvency of the debtor, the payment of debts past due and payable and non-gratuitous acts, herewith including those establishing a preference in the order of satisfaction of creditors, for debts, also of third parties, contextually arisen, made within the period of six months preceding the declaration of bankruptcy, could be revoked.

It is to be added that other hypotheses as well as exceptions could also apply pursuant to applicable law and that, in any case, the receiver—who is the individual deputed to bring the above actions—could always resort to the general action under the the civil code of the Republic of Italy enacted by the Royal Decree No. 262 of 16 March 1942 (as amended) (the "*Italian Civil Code*") as described in the following paragraph (as provided for by article 66 of the Italian Bankruptcy Law).

Fraudulent Transfer Provisions of General Applicability Including During Bankruptcy

Under Italian law, in certain circumstances, also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, agreement and any other act by which it disposes of any of its assets, in order to seek a clawback action (*azione revocatoria*) pursuant to article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian Court could revoke the said guarantee, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit;
- that, in the case of non-gratuitous act, the third party involved was aware of said prejudice and, if the act was prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Limitations on guarantees and security interest

Under Italian law the guarantee obligations under the Indenture of an Italian Guarantor are subject to compliance with the rules on corporate benefit and corporate authorization. If a guarantee is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company granting a guarantee must receive a real and adequate benefit in exchange for the guarantee. Whilst corporate benefit for a downstream guarantee is usually self-evident, the validity and effectiveness of an up-stream or cross-stream guarantee granted by an entity organized under the laws of Italy (such as the Note Guarantee to be granted by an Italian Guarantor with respect to the Notes) depends on the existence of a real and adequate benefit in exchange for the guarantee. The concept of real and adequate benefit is not defined in the applicable legislation and is determined on a case by case basis. In particular, in case of upstream and cross-stream guarantees for the financial obligations of group companies, examples include financial consideration in the form of a guarantee fee or access to cash flows in the form of intercompany loans from other members of the group. The general rule is that the risk assumed by an Italian Guarantor must not be disproportionate to the direct or indirect economic benefit to that Italian Guarantor. To this extent, customary "*limitation language*" is usually inserted in indentures, credit agreements and guarantees for the purpose of limiting the amount guaranteed by the Guarantor to an amount that is proportionate for the direct or indirect economic benefit to that Guarantor derived from the transaction.

Absence of a real and adequate benefit could render the Note Guarantee to be provided by an Italian Guarantor ultra vires and potentially affected by conflict of interest. Thus, civil liabilities may be imposed on the directors of an Italian Guarantor if it is assessed that they did not act in the best interest of an Italian Guarantor and that the acts they carried out do not fall within the corporate purpose of an Italian Guarantor. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian Guarantor or having knowingly received an advantage or profit from such improper control. Moreover, the Note Guarantee to be provided by an Italian Guarantor could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of an Italian Guarantor.

The rules on corporate benefit apply equally to security provided by subsidiaries in relation to the financial obligations of their parent or sister companies.

As to corporate authorizations, the granting of guarantees or security by an Italian company (such as the Note Guarantee and the Collateral to be granted by an Italian Guarantor with respect to the Notes) must be permitted by the by-laws (*statuto*) of the Italian company. Finally, as to the financial assistance aspects, the granting of a guarantee or security by an Italian company (such as the Note Guarantee and the Collateral to be granted by an Italian Guarantor with respect to the Notes) cannot include any liability which would result in unlawful financial assistance within the meaning of article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotes or those of its direct or indirect parent company would also be a violation.

Given the Italian law financial assistance and corporate benefit issues describe above, the Note Guarantee granted by an Italian Guarantor will be subject to certain limitation set out in the Indenture in order to comply with applicable corporate benefit provisions and/or, as the case may be, financial assistance rules. The same limitations will apply to the Collateral granted by that Italian Guarantor.

Parallel Debt

The Collateral includes share pledges over the shares or quotas, as the case may be, of the Italian Bidco and the Italian Target.

It is uncertain and untested in the Italian Court whether under Italian law a security can be created and perfected in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries. In addition, there is no established concept of "*trust*" or "*trustee*" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the security agent as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

Given the above and considering that the holders of the Notes may not be party to the Italian security documents, there is a risk that an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the Italian security documents and/or cannot enforce that security.

To address the above potential issue, the Intercreditor Agreement shall provide for the creation of a "*parallel debt*". Pursuant to the parallel debt and subject to the terms of the Intercreditor Agreement and to applicable law, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The security interest governed by Italian law will then secure the parallel debt. However, please note that the enforceability of Italian law security granted in favor of the creditor of a parallel debt has not been tested in Italian Courts and, therefore, it cannot be excluded that the parallel debt will not per se eliminate or mitigate the risk of unenforceability by the holders of the Notes of the Italian security documents posed by Italian law.

Korea

Overview

Prior to 1 April 2006, the basic insolvency laws in Korea comprised of the Bankruptcy Act, the Composition Act, the Corporate Reorganisation Act and the Act on Individual Debtor Rehabilitation. These acts were collectively replaced by the "*Act concerning Debtor Rehabilitation and Bankruptcy*" (the "*Consolidated Insolvency Act*") effective from 1 April 2006.

Under the Consolidated Insolvency Act, the ability of secured creditors to enforce their rights to security may be subject to rescheduling under the debtor rehabilitation proceeding. Under the bankruptcy proceeding and the individual debtor rehabilitation proceeding, however, it is possible for secured creditors to enforce their security interests, subject to certain restrictions.

Consolidated Insolvency Act

The Consolidated Insolvency Act contains:

- provisions applicable to rehabilitation pursuant to Chapter 2 Proceedings, which are based on the previous Corporate Reorganisation Act and expand the scope of eligible applicants for rehabilitation procedures to all types of legal entities, including individuals, corporations and unincorporated foundations or associations;
- provisions applicable to bankruptcy procedures, which are based on the previous Bankruptcy Act;
- provisions applicable to individual rehabilitation pursuant to Chapter 4 Proceedings, which are based on the previous Act on Individual Debtor Rehabilitation and are applicable only to certain individual debtors who are wage earners or self-employed earners with debts of no more than a certain specified amount; and
- provisions applicable to international insolvency proceedings, which have been newly introduced.

Under the Consolidated Insolvency Act, the petitioner must specify which procedure he or she wishes to use. For a debtor that has filed for bankruptcy proceedings, after the court issues an order preserving the debtor's assets, a receiver will be appointed to liquidate the assets of the debtor and to distribute the proceeds to its unsecured creditors on a pro-rata basis. Secured creditors remain free to exercise their interests under the bankruptcy proceedings.

On the other hand, the goal of Chapter 2 Proceedings and Chapter 4 Proceedings is to rehabilitate insolvent companies or, as the case may be, individuals. While in a Chapter 2 Proceeding secured creditors will not be able to enforce their security outside such Chapter 2 Proceeding, secured creditors in a Chapter 4 Proceeding will be able to enforce their security interests notwithstanding such Chapter 4 Proceeding (x) unless the court issues an order to suspend or prohibit such exercise during the period after the filing of the petition for the Chapter 4 Proceeding but before the court decides to commence the Chapter 4 Proceeding or (y) once the court decides to commence the Chapter 4 Proceeding, only after the earlier of (i) the court's approval of the repayment plan or (ii) the final decision by the court to discontinue such Chapter 4 Proceeding.

The Consolidated Insolvency Act makes it easier for the court to avoid the debtor's transactions with certain shareholders or equity holders of the debtor ("*specially related persons*"), by presuming that the specially related persons acted knowingly in such transactions. For example, the Consolidated Insolvency Act extends this 60-day period to one year in the case of transactions with specially related persons.

Chapter 2 Proceedings

A Chapter 2 Proceeding (*i.e.*, rehabilitation proceeding) is designed for use by an insolvent debtor which desires to rehabilitate itself. This type of proceeding is tightly controlled by the court so that most of the material actions or decisions of the debtor may be taken or made only with the approval of the court.

All types of legal entities, including joint stock companies, limited liability companies and unincorporated foundations or associations, as well as individuals, can rehabilitate pursuant to Chapter 2 Proceedings.

The Consolidated Insolvency Act provides that, in principle, the debtor itself or, in case where the debtor is a company, its own representative, and not a third party, should be elected as the receiver. Further, the Consolidated Insolvency Act permits a legal entity to be appointed as the receiver in the rehabilitation proceeding, in which case this legal entity should designate one of its directors to exercise the rights and powers conferred to it as a receiver and report such designation to the court.

Under the Consolidated Insolvency Act, the debtor may file a petition to the court for Chapter 2 Proceedings in cases where (i) debts cannot be repaid without causing material damage to the continuance of the debtor's business or (ii) any events leading to bankruptcy of the debtor may arise. If the debtor is a joint stock company or a limited liability company, (a) a creditor who has claims in an amount of not less 10% of the debtor's paid-in capital or (b) a shareholder or equity holder who holds shares or equity interest not less than 10% of the debtor's paid-in capital may also apply for a Chapter 2 Proceeding. If the debtor is not a joint stock company or a limited liability company, a creditor who has claims in an amount of not less than KRW50 million or an equity holder who holds an equity interest of not less than 10% of the debtor's equity can apply for a Chapter 2 Proceeding.

When the debtor itself or its creditor or equity holder satisfying the above requirements applies for a Chapter 2 Proceeding, the court may, upon the request of interested parties or in its sole discretion, but after hearing the opinion of the management committee, issue a preservation order against individual assets of the debtor, and may issue an injunction against bankruptcy proceedings or enforcement proceedings initiated by the debtor's secured or unsecured creditors. Further, if the court determines that the object of the Chapter 2 Proceedings may not be achieved through individual asset preservation orders, it may, upon the petition of interested parties or in its sole discretion, issue a comprehensive injunction against enforcement proceedings initiated by creditors against the assets of the debtor. If a comprehensive injunction is issued, enforcement proceedings that are already in progress will be suspended, and the court may cancel such enforcement proceedings upon the request of the debtor or, as the case may be, the temporary receiver, if deemed necessary for the continuance of the debtor's business. However, if the court determines that a creditor may sustain unjust damages as a result of such comprehensive injunction, the court may revoke the injunction for that particular creditor upon the request of such creditor.

When a petition for a Chapter 2 Proceeding is filed, the court is required within one month of the date of petition to determine whether to commence such proceeding. Once the commencement of the Chapter 2 Proceeding is declared, most claims against the debtor that arose prior to such commencement date are automatically stayed, while claims arising after such commencement date are generally not subject to the proceedings. Also, the court will appoint a permanent receiver with the power to conduct all of the debtor's business and manage all of the debtor's properties, subject to court supervision.

The Consolidated Insolvency Act strengthens the role of the committee of creditors by mandating its composition, unless the debtor is a small- or medium-sized enterprise or an individual, and by granting the committee the right to propose an auditor and to request investigation of the debtor company's business status after the approval of the rehabilitation plan.

As a general rule, any creditor whose claim against the debtor arose prior to the commencement of the Chapter 2 Proceeding, whether secured or unsecured, may not enforce such claims other than as provided for in the rehabilitation plan adopted at the meeting of interested parties and approved by the court. The rehabilitation plan may alter or modify the rights of creditors or shareholders. Accordingly, there can be no assurance that the rights of the creditors, whether secured or unsecured, will not be adversely affected by a Chapter 2 Proceeding. Further, a creditor who intends to participate in the rehabilitation plan must file its claim with the court within the period fixed by the court.

Under a Chapter 2 Proceeding, creditors are classified into three basic categories: (i) creditors with unsecured rehabilitation claims, (ii) creditors with secured rehabilitation claims and (iii) creditors with claims for common benefits. The first two categories of creditors are subject to Chapter 2 Proceedings and generally may not receive payment or repayment for their respective claims other than as provided in the rehabilitation plan. Creditors with claims for common benefits are not subject to the rehabilitation plan, and include, among others, those creditors whose claims either arose after the commencement of a Chapter 2 Proceeding (subject to certain exceptions and approval requirements) or those creditors whose claims were approved by the court during the preservation period.

In order to encourage rehabilitation of insolvent companies, the Consolidated Insolvency Act loosens the requirements for approval of rehabilitation plans contemplating liquidation, by requiring the approval of the creditors representing four-fifths of the outstanding amount of secured rehabilitation claims. However, in case of rehabilitation plans contemplating the continuance of the debtor's business including, without limitation, merger, spin-off or business transfer, the consent of the creditors representing not less than three-quarters of the amount of secured rehabilitation claims. For approval of all types of rehabilitation plans, the consent of the creditors representing not less than two-thirds of the amount of unsecured rehabilitation claims and the consent of the shareholders having not less than half of the voting rights are required, *provided* that the shareholders shall not have any voting rights if the total liabilities of the debtor company exceeds the total assets of the debtor company.

If the debtor fails to perform its payment obligations in accordance with the rehabilitation plan, affected creditors are not permitted to initiate lawsuits or enforce their security interests. Instead, they (or the receiver of the debtor) may only request the court to amend the rehabilitation plan. However, if such amendment could have an adverse effect on creditors with rehabilitation claims or shareholders of the debtor, the court may amend the rehabilitation plan only by obtaining an affirmative vote at a meeting of interested parties. If it becomes apparent, either before or after the court approves the rehabilitation plan, that the debtor cannot be rehabilitated, the court may, at its sole discretion or upon the request by the receiver or a creditor with a rehabilitation claim, issue an order to terminate the Chapter 2 Proceeding.

Once the Chapter 2 Proceeding is discontinued and if the court determines the debtor is insolvent, the court must declare the debtor bankrupt and must initiate the bankruptcy proceeding against the debtor. The compulsory declaration of bankruptcy in Chapter 2 Proceedings is limited to those cases where a final decision has been made to terminate the Chapter 2 Proceedings after the approval of the rehabilitation plan. Declaration of bankruptcy is optional in cases of:

- the dismissal of a petition for the commencement of Chapter 2 Proceedings;
- the non-approval of a rehabilitation plan; and
- an order to terminate Chapter 2 Proceedings before the approval of the rehabilitation plan.

If the bankruptcy proceedings are initiated, unsecured rehabilitation claims are characterized as general liquidation claims, and creditors with unsecured rehabilitation claims will be paid pursuant to the bankruptcy proceedings. Creditors with secured rehabilitation claims, on the other hand, may immediately enforce their security interest once the rehabilitation proceeding is terminated; *provided*, *however*, that, if the terms of the secured claim are amended by the rehabilitation plan, such claim may only be enforced in accordance with such amendment and the original terms shall not be revived.

Bankruptcy Proceeding

A bankruptcy proceeding is a court administered process designed to liquidate an insolvent debtor's assets and formally begins upon an adjudication of bankruptcy by the court where the debtor is unable to pay its debts or, in the case of a corporation, its liabilities exceed assets. The court will make its determination as to whether grounds for bankruptcy exist based on the written pleadings and oral argument of the petitioner. The adjudication of bankruptcy also has the effect of automatically staying all unsecured creditors from executing their claims against the bankruptcy estate.

The receiver appointed by the court will be vested with the exclusive right to manage and dispose of the bankruptcy estate, and to conduct an investigation and assessment of the bankruptcy estate. The Consolidated Insolvency Act, unlike the Bankruptcy Act, permits a legal entity to be appointed the receiver of the bankruptcy proceeding. If a legal entity is appointed the receiver, it shall designate one of its directors to exercise the right and power conferred to it as receiver and shall report such designation to the court. After reviewing the reports prepared by the receiver, the creditors will have a meeting and vote on a resolution deciding whether to continue or discontinue the debtor business and the manner of safeguarding the valuable goods of bankruptcy estate.

Subject to certain statutory limitations and approval by the inspection commissioners, the receiver has the power to liquidate the bankruptcy estate, and to determine the manner and timing of such liquidation. The receiver distributes the proceeds from the liquidation of the bankruptcy estate to the creditors in proportion to their claims. The distribution proceeds in several stages. Claims entitled to distribution are differentiated according to the priority of claims. Bankruptcy creditors are classified as follows, in accordance with their priorities: (i) secured creditors, who have the right to proceed against their securities on the same terms as would be available if the debtor were not in bankruptcy; (ii) creditors with estate claims, which include costs of judicial proceeding, tax claims, wages and payment of severance, management expenses incurred in connection with management, liquidation and distribution of the bankruptcy estate, and other claims arising from administration of the bankruptcy estate; (iii) creditors with other statutorily preferred claims (including policyholders' claims against an insurance company to the extent of the amount equal to the relevant reserves); (iv) general claims; and (v) less preferred claims.

The Consolidated Insolvency Act ensures that the priority rights of tenants under the Residential Tenant Protection Act and the Commercial Building Tenant Protection Act are also protected under bankruptcy proceedings.

International Insolvency Proceedings

The representative in a foreign insolvency proceeding (*i.e.*, a person or entity recognized by the applicable court as the receiver or representative in the foreign insolvency proceeding) may file with the Korean court for approval of such foreign insolvency proceeding. Once the foreign insolvency proceeding is approved by the Korean court, the representative in such proceeding may apply for insolvency proceedings in Korea or participate in the insolvency proceeding that is already in progress in Korea. On the other hand, the receiver or bankruptcy trustee in the insolvency proceeding in Korea may, for purposes of such proceeding, take actions in foreign jurisdictions to the extent permitted by the applicable laws.

Corporate Restructuring Promotion Act

In addition to the Consolidated Insolvency Act, the Corporate Restructuring Promotion Act restricts certain creditor financial institutions' ability to enforce security interests given by a company which has borrowed not less than 50 billion Korean Won of credit provided by such creditor financial institutions and may not be able to repay its borrowings without external financial support or additional borrowings (other than borrowings in the ordinary course of business) (a "*Failing Company*").

The Corporate Restructuring Promotion Act expired on December 31, 2010, but on April 29, 2011, the National Assembly of Korea passed the new Corporate Restructuring Promotion Act (the "*CRPA*"), which will remain in effect until December 31, 2013. The CRPA is intended, among other things, to promote the corporate restructuring of Korean companies by market mechanisms.

The following is a summary of the CRPA, which would apply to creditor financial institutions specified in the CRPA and in the presidential decree thereunder ("*Creditor Financial Institutions*").

Under the CRPA, the definition of Creditor Financial Institution includes the branches of foreign financial institutions in Korea, but overseas offices of foreign financial institutions are not creditor financial institutions as defined under the CRPA.

Under the CRPA, the main creditor bank of a Failing Company is required to notify the Failing Company if it determines that such company is a Failing Company. Upon receipt of such notice from the main creditor bank, the Failing Company may petition the main creditor bank for the commencement of one of the following actions, attaching a business plan:

- joint management of the Failing Company by a committee of Creditor Financial Institutions (a "*Creditor Committee*");
- joint management of the Failing Company by a committee of the creditor banks; or
- management of the Failing Company by the main creditor bank.

The main creditor bank is then required to convene a Creditor Committee or a Creditor Bank Committee (except where the assumption of management of the Failing Company by the main creditor bank has been petitioned) to determine whether it will commence the actions or not, within seven days of receipt of the petition.

Even if one of the above actions has been commenced, the Failing Company or Creditor Financial Institution may petition for rehabilitation proceedings under the Consolidated Insolvency Act. If the court issues a commencement order for rehabilitation of the Failing Company, the above actions shall be deemed to have ceased.

Under the CRPA, in the event that the Creditor Financial Institutions decide to commence the joint management of the Failing Company with the Creditor Committee and accordingly call for a meeting of the Creditor Committee, this should be notified to the Governor of the Financial Supervisory Service of Korea. Upon receipt of such notice, the Governor of the Financial Supervisory Service of Korea may request the Creditor Financial Institutions to grant a moratorium on the enforcement of claims (including the enforcement of security interests) until the first meeting of the Creditor Committee (which should be held within seven days of the notice of the meeting). In addition, during the first meeting of the Creditor Committee, Creditor Financial Institutions representing at least 75% of the outstanding credit to the Failing Company may declare a moratorium for up to three months if an investigation of the Failing Company's financial status is necessary, or up to one month if such investigation is not necessary (which may be extended by a further month).

If the Creditor Committee cannot agree on the moratorium period or if the corporate rehabilitation plan is not approved by the date the moratorium period ends, the joint management of the Failing Company by the Creditor Committee shall be deemed to have ceased. The Creditor Committee can approve the rescheduling of the debt owed by the Failing Company or provide new credit to it with the approval of Creditor Financial Institutions representing not less than 75% of the outstanding secured claims, as well as the approval of Creditor Financial Institutions representing not less than 75% of all outstanding credit. The rescheduling of debt so approved is binding on all Creditor Financial Institutions whether they voted for or against such rescheduling plan. A Creditor Financial Institution whose outstanding credit to the Failing Company is less than 5% of the total outstanding credit may be excluded from the Creditor Committee.

Parallel Debt

In Korea, due to certain laws and jurisprudence governing the creation and perfection of security interests and enforceability of such security interests, it is necessary in order to grant the relevant Collateral to the Security Agent to secure the Principal Obligations owed to the finance parties, that the Security Agent hold its own "*parallel debt*" claim ("*Parallel Debt*").

The Intercreditor Agreement will thus provide for the creation of such Parallel Debt in favour of the Security Agent, mirroring the obligations of the Issuer towards the holders of the Notes and the Trustee under or in connection with the Indenture and the Intercreditor Agreement ("*Principal Obligations*"). This Parallel Debt is created to address a Korean law requirement that the Security Agent, as the grantee of the security interest created by the security documents governed by Korean law (the "*Korean Security Documents*"), be a creditor of the relevant security provider.

The pledge of the Korean Collateral will be granted to the Security Agent as security for the Parallel Debt and will not directly secure the Principal Obligations. In respect of the security interest granted to secure the Parallel Debt, as the holders of the Notes from time to time will not be party to the Korean Security Documents, such holders of the Notes will not have direct security interests in the Korean Collateral and will not be entitled to take direct enforcement actions, individually or collectively, in respect of such security interests. Therefore, although the Security Agent will have, pursuant to the Parallel Debt, a claim against the Issuer for the full principal amount of the Notes, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Agent in relation to the Korean Collateral. In addition, the Parallel Debt construct has not been tested under Korean law and, to the extent that the security interests in the Korean Collateral created under the Parallel Debt construct are successfully challenged in Korea by other parties, the holders of the Notes will not receive any proceeds from an enforcement of such security interests in Korea.

Limitation on Enforcement

The grant of a guarantee or collateral by a Korean company for the obligations of another group company must be for the corporate benefit of the granting company. The question of corporate benefit is determined on a case-by-case basis and at the time when such guarantee or collateral is provided considering the totality of the circumstances at that point in time.

Under Korean law, if there is no corporate benefit justifiable for a Korean company to provide guarantee or security interest securing another group company's obligations, such provision of guarantee or security interest can raise a breach of fiduciary duty issue for the directors of such Korean company under corporate as well as criminal law. In a recent leveraged buy-out case, the Korean Supreme Court ruled that the provision of security interests by a Korean company securing its parent company's obligations without consideration constituted a criminal breach of fiduciary duty. The security provided in breach of fiduciary duty may be null and void.

The documentation in relation to the Guarantees and security, to the extent they concern a Korean Guarantor, contain certain limitation language (including limitations as to the maximum amount that may be guaranteed and secured) and, hence, such Guarantees and security interests are limited in the manner described therein.

In particular, the obligations and liabilities of a Korean company under its Note Guarantee shall be limited, at all times, to the payment obligations of the Issuer under the Notes, the Indenture and other documents related to the Notes from time to time up to the aggregate amount of proceeds under such documents on-lent by the Issuer to that Korean company and outstanding from time to time (the "*Maximum Korea Guarantee*").

Each of the Korean Guarantors has granted a guarantee in favor of the Revolving Credit Facility lenders to secure the payment obligations of the borrower (the "*Korean RCF Guarantee*"). Its obligations under the Korean RCF Guarantee are limited to the amount it actually borrowed from the Issuer pursuant to an intercompany loan and outstanding from time to time. Any payment made by a Korean Guarantor under its Note Guarantee will be deemed to reduce *pro tanto* the outstanding amount of its intercompany loan due to the Issuer or to the borrower under the Revolving Credit Facility, respectively. As a result, a payment made by a Korean Guarantor under the Korean RCF Guarantee may reduce the Maximum Korean Guarantee and vice versa.

Hardening Periods and Fraudulent Transfer

Under the Korean Civil Code, a creditor of a company may apply to the court for cancellation and restitution of any "*legal act*" (including, but not limited to, the debtor company's provision of a guarantee) of a company if (i) the company committed such a legal act, (ii) such act is detrimental to its creditors and (iii) both the company and the transferee (or beneficiary) had knowledge that such act would be detrimental to the company's creditors. In order to constitute a fraudulent conveyance under Korean law, a transaction should be detrimental to the general creditors of the company. Conceptually, this "*detriment to creditors*" requirement requires that the company become insolvent due to the transaction or, if the company is already insolvent, that the financial condition of the company worsen due to the transaction, since the purpose of a fraudulent conveyance action is to protect the unsecured creditors by preventing a diminution of the gross assets of the company to a level where such gross assets would not be sufficient to cover the creditors' claims.

Under the Consolidated Insolvency Act, the receiver or the bankruptcy trustee of an insolvent Korean company has the right to exercise its "*avoidance*" right with respect to acts (*e.g.*, transfer of assets, provision of a guarantee, etc.) of such insolvent Korean company for which it does not receive proper compensation during the period allotted by statute.

Specifically, the general rule under Korean insolvency laws is that the receiver of an insolvent Korean company may avoid such act committed by such Korean company if it is committed within six (6) months (if such act was made with a specially related party, one (1) year) prior to the relevant insolvency event declared by the court, if no compensation (or compensation virtually equivalent to no compensation) was provided to the insolvent Korean company and the receiver and the bankruptcy trustee has the right to avoid any such act with no compensation for a period of two (2) years from the date of the relevant insolvency event.

Other Local Law Considerations

Under the Foreign Exchange Transaction Law of Korea, in the event a guarantee or collateral is provided by a resident or Korea (which is not the borrower itself) to a non-resident of Korea, such provision of guarantee or collateral requires the filing of a report with the Bank of Korea, which report should be accepted by the Bank of Korea. In the case a guarantee or collateral is provided by a non-resident to a non-resident of Korea for the obligations of another non-resident of Korea, the non-resident guarantee or collateral provider may be required to file a report with the Ministry of Strategy and Finance with respect to such provision of guarantee or collateral, which report should be accepted by the Ministry of Strategy and Finance. If the assets subject to Korean Collateral was acquired by the non-resident with the filing of the proper foreign exchange report, however, such report for provision of collateral to the Ministry of Strategy and Finance would not be required.

Luxembourg

One or more of the Guarantors of the Notes and providers of security to the Notes (the "*Lux Guarantors*") are incorporated under the laws of the Grand Duchy of Luxembourg. In the event of an insolvency event affecting the Lux Guarantors, insolvency proceedings may be initiated in Luxembourg (as described below under the heading "*Luxembourg Insolvency Proceedings*". Such proceedings would be governed by Luxembourg law, and any enforcement action with respect to the related share pledge agreements will be subject to Luxembourg bankruptcy law. The effects of such proceedings are described in under "*Effects of Opening of Luxembourg Insolvency Proceedings*" below.

In addition, even though the Issuer is incorporated in Germany, Luxembourg courts may have jurisdiction, in accordance with the European Union insolvency regulation (the "*EU Insolvency Regulation*"), to commence insolvency proceedings if the Issuer's center of main interests is located in Luxembourg. However, in the absence of proof to the contrary, the place of the Issuer's registered office shall be presumed to be its center of main interests.

Luxembourg Insolvency Proceedings

The following is a brief description of certain aspects of insolvency law in Luxembourg. There are three statutory insolvency proceedings under Luxembourg law: bankruptcy proceedings (*faillite*), controlled management proceedings (*gestion contrôlée*) and composition proceedings (*concordat préventif de la faillite*). Controlled management and composition proceedings are formal corporate rescue procedures, while the purpose of bankruptcy proceedings is to realize the assets of the company, distribute the proceeds to its creditors and ultimately wind up the company.

Furthermore, on the basis of Articles 593 et seq. of the Luxembourg Code of Commerce (*Code de Commerce*), the company may also apply to the court to have the payment of its debts suspended (*sursis de paiement*) instead of applying for any of the above proceedings. A company facing financial difficulties may seek to reach an informal contractual agreement with its creditors to reorganize its financial position or to restructure its business (non-statutory proceedings). In addition, judicial liquidation (*liquidation judiciaire*) proceedings may be opened at the request of the public prosecutor against companies pursuing an activity that violates criminal law or is in serious breach or violation of the Code of Commerce or of the law of 10 August 1915 governing commercial companies, as amended (the "*Company Law*"). The management of such liquidation proceedings will generally follow the rules of bankruptcy proceedings.

Bankruptcy proceedings, controlled management proceedings, composition proceedings and "*sursis de paiement*" are available to all types of Luxembourg commercial companies. Special regimes apply for entities including, but not limited to, financial institutions and insurance companies. The commencement of any procedure, other than bankruptcy, does not preclude the court from declaring the company bankrupt (including on the court's own motion), if the legal conditions for bankruptcy are met.

Bankruptcy

A company must enter into bankruptcy proceedings if it has ceased making payments (*i.e.*, it is no longer able to repay its debts as they fall due, one debt being sufficient to satisfy that condition) (*cessation des paiements*) and its creditworthiness has been impaired (ébranlement du crédit), for example, the company is no longer able to obtain credit). In other words, the company must be insolvent under a cash flow test (as opposed to a balance sheet test).

Bankruptcy proceedings may be opened at the request of the company or of a creditor of the company by filing a declaration of bankruptcy (in the case of the company) or an application for bankruptcy (in the case of a creditor) with the district court sitting in commercial matters in the district in which the company has its central administration (*administration centrale*). Bankruptcy proceedings may also be ordered by the court itself.

If the court declares a company bankrupt, it will appoint a receiver (*curateur*) or several receivers, depending on the complexity of the proceedings, and a judge (*juge-commissaire*) to supervise the bankruptcy proceedings. The receiver's mission is to will realize the company's assets and distribute the proceeds to the company's creditors in accordance with the statutory order of payment and, if there are any funds left, to the company's shareholders.

Unsecured claims will, in the event of a liquidation of the company following bankruptcy, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, among others:

- remuneration owed to employees;
- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise; and
- social security contributions.

The period within which creditors must file their claims with the clerk of the court is specified in the judgment declaring the company bankrupt. The receiver must notify creditors of this deadline through an announcement in such newspapers the court determines. Claims filed after such period may nevertheless be taken into account if the receiver has not started the realization of the assets of the company and the distribution of the proceeds from that realization. The receiver will need to obtain court permission for certain acts, such as agreeing settlement of claims or deciding to pursue the business of the company during the bankruptcy proceedings.

The receiver takes over the management and control of the company in place of the directors who as soon as the company is declared bankrupt cease to have any power over the company's assets and lose their power to bind the company. The receiver represents the company on the one hand and, on the other, the creditors collectively (*masse des créanciers*). Contracts to which the company is a party are not automatically terminated with respect to the company on commencement of bankruptcy proceedings, save for contracts for which the identity or solvency of the company was crucial (*intuitu personae* agreements). However, certain contracts are terminated automatically by law, such as employment contracts, unless expressly confirmed by the receiver. Contractual provisions purporting to terminate a contract upon bankruptcy are valid. The receiver may choose to terminate contracts of the company. The bankruptcy regime pertains to public policy and is governed by strict regulations. On closing of the bankruptcy proceedings, the company will typically be dissolved. Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EU Insolvency Regulation.

Controlled Management Proceedings

A company which has lost its creditworthiness or which is not in a position to completely fulfill its obligations can apply for the regime of controlled management in order either to reorganize its business or to realize its assets in orderly conditions.

The loss of creditworthiness is identical to the credit test applied in bankruptcy proceedings. The inability of the company to completely fulfill its obligations is assessed in broad terms, *i.e.* having regard to the overall situation of the company. A company will be denied the benefit of controlled management if it is considered of bad faith, *e.g.* in case of gross negligence or heavy irregularities in the management of its affairs.

The procedure is divided into three steps:

- The company must file an application with the district court sitting in commercial matters. The court can reject the application because (i) the company has already been declared bankrupt; or (ii) the evidence adduced by the company does not show that the benefit of controlled management will result either in the progressive stabilization and the normal exercise of the company's business or in the realization of the company's assets in better conditions. However, if the application is upheld at this stage, the court will appoint an investigating judge to make a report on the overall situation of the company.
- Once the investigating judge has delivered his report, the court may (i) turn down the application; or (ii) appoint one or several administrators who will supervise the management of the assets of the company. If the court comes to the conclusion that the company is unable to pay its creditors (cessation of payment), it may set the date as from which the company will be deemed to have been in such situation. Such date may be set up to six months prior to the filing for controlled management proceedings. However, the court may only declare the company bankrupt, if the conditions for bankruptcy are met (cessation of payment and loss of creditworthiness). The court can only decide the opening of bankruptcy proceedings (i) after the first hearing described in the first step above, (ii) after the hearing during which the investigating judge delivers his report, or (iii) after the plan proposed by the administrators in accordance with the third step described below has been rejected. The administrators' mission is to draw up the inventory of the assets and to ascertain the financial situation of the company. They are also in charge of preparing and filing the annual accounts of the company. The administrators may also prescribe any act they consider to be in the interests of the company or its creditors. The administrators have to be convened to any meeting of the board of directors/managers. They have the right to attend all board meetings and even to convene such meetings themselves, but they have no voting right.
- The administrators will draft a plan for the reorganization of the company's business or a plan for the realization of the assets, within the deadlines set forth by the court. The plan must equitably take into account all interests involved and must abide by the ranking of mortgages and privileges determined by law, without taking into account any contractual clause regarding termination, penalties or acceleration. The administrators then notify the draft plan to the creditors, the joint debtors and any known guarantors and will at the same time ensure that an excerpt of the judgment is published in the Luxembourg official gazette (*Mémorial*). Within 15 days of such notification or publication, the creditors inform the court whether they agree or object to the draft plan. Abstentions are considered positive votes. The creditors, the company, the joint debtors and the guarantors may submit written observations to the court. The court can only approve the plan with the consent of the simple majority of creditors holding unchallenged claims representing at least half of the company's liabilities: in this scenario the judgment approving the plan will be binding upon the company and its creditors, joint debtors and guarantors. However, the court is free to reject the plan in its sole discretion even though the above majority requirements are met: in this case the application for controlled management will be dismissed. As a third option, the court may ask the administrators to propose an amended plan (such amended plan will have to be submitted to the creditors as aforesaid). The fees of the administrators will be fixed by the court and will be borne by the company. The administrators who at the same time are creditors of the applicant are not entitled to any fees.

Composition Proceedings

A company may enter into composition proceedings (*concordat préventif de la faillite*) in order to resolve its financial difficulties by entering into an agreement with its creditors, the purpose of which is to avoid bankruptcy.

Composition proceedings may only be applied for by a company which is in financial difficulty. As with the controlled management proceedings, composition proceedings are not available if the company has already been declared bankrupt by the court or if the company is acting in bad faith. The application for the composition proceedings must be supported by proposals of composition.

The court will delegate to a judge (the "*Delegate*") the duty to verify, and to prepare a report on, the situation of the company. Based on such report, the court will decide whether or not to pursue the composition proceedings. If the court considers that the procedure should not be pursued it will, in the same judgment, declare the bankruptcy of the company (which may also be declared during the composition proceedings if the conditions for the composition proceedings are not met). If the court considers that the procedure may be pursued, it will set the place, date and hour of a meeting (*assemblée concordataire*) to which the creditors will be convened. The Delegate will make its report at the *assemblée concordataire*.

The *concordat préventif* may only be adopted if the majority of the creditors representing, by their unchallenged claims, three-quarters of the company's debts, have adhered to the proposal and if the composition has been homologated by the court. Creditors benefiting from mortgages, privileges or pledges only have a deliberating voice in the operations of the concordat if they waive the benefit of their respective security interest. Voting in favor of the concordat operates as a waiver. The secured creditors may limit such waiver to only a portion (but representing at least 50% in value) of their claims with corresponding voting rights.

The composition has no effect on the claims secured by a mortgage, a privilege or a pledge and on claims by the tax authorities. If the application results in a composition arrangement sanctioned by the court, the composition could still either be annulled (if it has not been executed) or terminated (in case of fraud or bad faith of the company). The consequence of an annulment is the declaration of bankruptcy. Such a bankruptcy judgment can decide to fix the date of cessation of payment to the date of the application for the composition. If that date is less than six months prior to the bankruptcy judgment, the court can set the cessation of payment before that date, up to six months prior to its judgment in accordance with the provisions governing the bankruptcy regime (please see the section under the heading "*Bankruptcy*" below).

The company continues to operate its business during the composition proceedings. While the composition is being negotiated, the company may not dispose of, or grant any security over, any assets without the approval of the Delegate. Once the composition has been agreed by the court, this restriction is lifted. However, the company's business activities will still be supervised by the Delegate.

Suspension of Payments

A suspension of payment (*sursis de paiement*) can only be applied to a company which, as a result of extraordinary and unforeseeable events, has to temporarily cease its payments but which, on the basis of its balance sheet, has sufficient assets to pay all amounts due to its creditors. The sursis de paiement may also be granted if the situation of the applicant, even though showing a loss, shows serious elements of reestablishment of an equilibrium between the assets and the liabilities.

The purpose of the suspension of payments is to allow a business undertaking experiencing financial difficulties to suspend its payments for a limited time, albeit after complex proceedings involving both the district court and the court of appeals and subject to the approval by the majority of the creditors representing, by their claims, three-quarters of the company's due debts (excluding claims secured by privilege, mortgage or pledge).

The suspension of payments is, however, not of general application. It only applies to those liabilities which have been assumed by the debtor prior to obtaining the suspension reprieve from payment and has no effect as far as taxes and other public charges or claims secured by privilege, mortgage or pledge are concerned.

Effects of Opening of Luxembourg Insolvency Proceedings

According to the law on financial collateral arrangements of 5 August 2005, as amended by the law of 10 May 2011 (the "*Collateral Law*"), all financial collateral arrangements (including pledges of financial instruments or cash held on a bank account) as well as the enforcement events relating to these financial collateral arrangements are valid and enforceable against third parties (including supervisors, receivers, liquidators or other similar persons or bodies) irrespective of any bankruptcy, liquidation or other situation (for instance, pre-bankruptcy suspect period), national or foreign, of composition with creditors or reorganization affecting any one of the parties, save in case of fraud.

Bankruptcy

Under Luxembourg law, transactions entered into or payments made by the company during the period before bankruptcy, the so-called "*suspect period*" (*période suspecte*) which is a maximum of six months preceding the judgment declaring bankruptcy, may be declared, or are, void. In certain specific situations the court may set the start of the suspect period at an earlier date and, if the bankruptcy judgment was preceded by controlled management proceedings, the court may set the maximum up to six months prior to the filing for such controlled management. In particular:

- pursuant to Article 445 of the Luxembourg Code of Commerce, certain transactions (such as, in particular, the granting of a security interest for prior debts save in respect of financial collateral arrangements within the meaning of the Collateral Law; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) are de jure null and void upon application from the bankruptcy receiver;
- pursuant to Article 446 of the Luxembourg Code of Commerce payments made for due debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the bankruptcy receiver if the other party knew about the bankrupt party's cessation of payments;
- pursuant to article 21 (2) of the Collateral Law, notwithstanding the suspect period as referred to in Articles 445 and 446 of the Luxembourg Code of Commerce, where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is valid and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and
- in the case of bankruptcy, Article 448 of the Luxembourg Code of Commerce and Article 1167 of the Luxembourg Civil Code (*action paulienne*) gives the bankruptcy receiver (acting on behalf of the creditors) the right to challenge any fraudulent payments and transactions, including the granting of security with fraudulent intent, done prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts, except for intuitu personae contracts, i.e. contracts for which the identity or the solvency of the company were crucial. The contracts, therefore, subsist after the opening of the bankruptcy proceedings. However, the bankruptcy receiver may choose to terminate certain contracts. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate.

Controlled Management

As from the day of the appointment of the investigating judge until the final decision on the application for controlled management, any subsequent enforcement proceedings or acts, even if initiated by privileged creditors (including creditors who have the benefit of pledges and mortgages) are stayed, save as provided for by the Collateral Law. The company may not enter into any act of disposition, mortgage, contract or accept any movable asset without the authorization of the investigating judge.

Once the administrators have been appointed, the company may not carry out any act (including receiving funds, lending money, granting any security, making any payment) without the prior authorization of the administrators. The administrators may bring any action in court in order to have any act made in violation of the legislation governing the controlled management or in fraud of the creditors' rights be declared null and void. Subject to the prior authorization of the court, they may also bring an action (i) to have the directors, managers or the statutory auditor be held liable or (ii) if the court has declared the company to be in cessation of payments, to have any payment, compensation or security be declared null and void (under certain conditions set forth in Articles 445 et seq. of the Luxembourg Code of Commerce).

Composition

Except as provided for in the Collateral Law, unsecured creditors may not take action against the company to recover their claims while the composition is being negotiated. Secured creditors not participating in the composition proceedings may take action against the company to recover their claims and to enforce their security. Fraudulent transactions which took place before the date on which the court commenced composition proceedings, may be set aside as described for the bankruptcy proceedings.

Limitations on Luxembourg Note Guarantees

The conditions to be satisfied by the granting of guarantees relate to (i) corporate power, (ii) corporate authority, and (iii) corporate benefit. These rules derive from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis.

Corporate Power—Limits on corporate power can either be imposed (i) by law or (ii) by the articles of association of the company.

- Limitations Imposed by Law. Pursuant to the Luxembourg Civil Code, a company is established with a view to participate in the profits (and the losses) which may result therefrom. The goal to share the profits is an essential element of every company and therefore, a purely free (or gratuitous) act, without consideration, may be outside the scope of the activities of a company as contemplated by law. A company may however carry out gratuitous acts whenever these acts are accomplished with a view to the realization, directly or indirectly, of the company's corporate object. It is normally understood that except in exceptional circumstances, an intra-group security is a type of act which may serve the purpose of realizing a profit. Thus, it is only in exceptional circumstances when there is no reasonable indirect potential benefit of, or a motivated interest for, a proposed guarantee to be given by a company, that the validity of such a guarantee could be challenged for lack of any interest by the guarantor in providing the guarantee. Further to this general legal restriction, additional limitations are imposed by specific laws, such as the prohibition to exercise certain activities, *e.g.*, activities of the financial sector without a specific authorization (which in case of a Luxembourg company does not apply to financial activities within a group of companies) or the limitation on financial assistance to shareholders in the case of subscription or purchase of shares of the guarantor.
- Limitations Imposed by the Articles of Association—The provision of guarantees or security by a company must be within the limits of its corporate object as stated in its articles of association. Should the provision of a guarantee or security by a Luxembourg company exceed the corporate object, the company will still be bound by such action towards third parties, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate object or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

Corporate Authority—When a Luxembourg company grants guarantees and/or security, applicable corporate procedures normally entail that the decision be approved by a board resolution or by decision of delegates that have been appointed for such purpose.

Corporate Benefit—The third condition for a guarantee to be granted by a Luxembourg company is that the proposed action by the company must be "*in the corporate interest of the company*", which expression is a translation of the French "*intérêt social*". The concept of "*corporate interest*" is not defined by law, but has been developed by doctrine and court precedents and may be described as being "*the limit of acceptable corporate behavior*". Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. The concept of corporate benefit is of particular importance in the context of misuse of corporate assets provided by Article 171-1 of the Company Law.

In a group context, although certain acts may fall outside the corporate interest of the company, they may be within the corporate interest of the group taken as a whole. The mere existence of such a group interest does however not compensate for a lack of corporate interest for one or more of the companies of the group taken individually.

In general terms, group interest may justify the issue of a guarantee or the granting of security in favor of a parent company (up-stream guarantee) or a sister company (cross-stream guarantee), thus avoiding (should the Luxembourg courts adopt the same position as the French courts) the qualification of misuse of corporate assets, under the following circumstances:

- the proposed action must be dictated by a common economical, social or financial interest, evaluated with regard to a policy elaborated for the entire group;
- the guarantee must not be without consideration or it must not disrupt the balance between the obligations of the various group companies;
- the obligations arising out of the proposed action must not exceed the financial capabilities of the company concerned; and
- the different companies involved in the transaction must have the same shareholders.

To the extent that all companies of the group are asked to bear in a similar way the burden of guarantees or security given for the benefit of another group company or companies in an equal way, the obligation undertaken by a group company for the benefit of other group companies may be justified.

Similarly, if a group company cannot exist outside of the group and is dependent on the group, providing assistance to other group companies should ultimately result in a benefit for such company. The limit of reasonable corporate behavior is reached when the transaction is exclusively in the interest of the parent company or the other companies of the group, without any benefit, direct or indirect, for the Luxembourg company granting the guarantee.

Failure to comply with the corporate interest requirement will typically result in liability for the directors or managers of the guarantor concerned. The guarantees or security interests granted by a Luxembourg company could itself be held null and void or unenforceable if it were contrary to Luxembourg public policy (*ordre public*). It should be stressed that, as is the case with all criminal offences provided by the Company Law, a director of a company could be prosecuted for misuse of corporate assets if someone has lodged a complaint with the public prosecutor. This person may be an interested third party, e.g. a creditor, a minority shareholder, a liquidator or an insolvency receiver. In addition, it cannot be excluded that the public prosecutor could act on its own initiative if the existence of such a misuse of corporate assets became known to him.

If there were a misuse of corporate assets criminally sanctioned by a court, then this could, under general principles of law, result in contracts concluded in breach of Article 171-1 of the Company Law being held null and void. There are however scholars who argue that bona fide contractual counterparties should remain unaffected.

The criteria mentioned above have to be applied on a case-by-case basis and the directors or managers of the Luxembourg company have to make a subjective fact-based judgment. As a result of the above, guarantees or security interests granted by a Luxembourg company may be subject to certain limitations, which usually take the form of a general limitation language, which is inserted in the relevant finance document(s) or guarantee agreements and which covers the aggregate obligations and exposure of the relevant Luxembourg company under all finance documents and/or guarantee agreements.

The above should not be relevant as regards the guarantee given by Luxco2 to German Holdco, since it is a guarantee/security interest given for the obligations of one of its subsidiaries.

Poland

Certain Insolvency Law Considerations

The Polish Guarantor is incorporated and existing under the laws of Poland. In the event of insolvency of the Polish Guarantor, insolvency proceedings may be initiated in Poland (note however that if the center of main interest of the Polish Guarantor is situated in another European Union member state, the courts of that state shall have jurisdiction and the insolvency laws of that state shall apply). In such case the insolvency proceedings would be governed by the Polish Insolvency and Recovery Law. The insolvency laws of Poland may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain interest after the commencement of insolvency proceedings and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the notes to an extent exceeding the limitations arising under other insolvency laws.

Bankruptcy proceedings under Polish law may be initiated against insolvent debtors. A debtor is considered to be insolvent when he fails to settle his due and payable liabilities. A debtor being a legal person is also considered to be insolvent if the value of his liabilities exceeds the value of its assets, even if he is able to settle the liabilities on an ongoing basis.

Bankruptcy proceedings are initiated upon presentation of a bankruptcy petition. Such a petition may be presented by either the debtor, its representatives or its creditors. The board members of the debtor are obliged to present a bankruptcy petition to the court no later than within two weeks of the date on which the reason for bankruptcy occurred. Those authorized to represent the debtor shall be held liable for any damage resulting from a delay in presenting the petition.

The court is obliged to refuse to initiate bankruptcy proceedings if the debtor’s assets are insufficient to cover the cost of the proceedings.

As a rule, Polish law provides for two types of bankruptcy proceedings: (i) proceedings aimed at liquidation of the assets of the bankrupt debtor by settling the creditors’ claims in a manner precisely defined by the law and (ii) proceedings aimed at arriving at an arrangement with the creditors leading to implementation of a restructuring strategy for the bankrupt entity.

Upon receiving a bankruptcy petition, the court can, ex officio, secure the debtor’s assets. As early as the preliminary stage of the proceedings, the court can, pursuant to Polish law, schedule a preliminary creditors’ meeting, at which, *inter alia*, an arrangement with the creditors may be concluded.

Upon acceptance of the bankruptcy petition, the court decides whether to initiate the bankruptcy proceedings. This decision has to be made within two months of presentation of the bankruptcy petition. If the creditors’ claims seem to have a better chance of being settled under arrangement proceedings than under liquidation proceedings, then the bankruptcy court can issue a bankruptcy order with an option to enter into an arrangement with the creditors. However, this option is not available if previous behavior of the debtor creates uncertainty as to whether the arrangement will be adhered to, unless the arrangement proposal provides for possible liquidation. If there is no basis for issuing a liquidation order with an option to enter into an arrangement with the creditors, then the court will issue a liquidation order. When issuing a liquidation order, both the court and the bankruptcy receiver must try and ensure that, if possible, the business is sold or taken over as a whole.

The court is given a degree of flexibility when deciding whether to order liquidation or arrangement with creditors. Should the basis for issuing a liquidation order with an option to enter into an arrangement with the creditors become evident in the course of carrying out liquidation proceedings, then the court can change liquidation proceedings into liquidation with an option to enter into an arrangement with the creditors. Similarly, the court can order that liquidation with an option to enter into an arrangement with the creditors be replaced with solely liquidation proceedings. The court has the right to order that an expert opinion be given as to the actual position of the debtor in order to assess the company’s chance of survival.

As a rule, upon the court declaring bankruptcy aimed at liquidating assets, the debtor loses its right to manage its own assets. The financial liabilities of the debtor that have yet not become due and payable, become due and payable on the day of declaring the debtor bankrupt. The debtor's assets become a bankruptcy estate to be used to settle the debtor's creditors and the bankruptcy estate is managed by a bankruptcy receiver appointed by the court. A consent of the creditors' committee or the official receiver responsible for administering the bankruptcy is required for decisions made in relation to the matters most central to the bankruptcy process.

In general, the bankruptcy estate covers the assets belonging to the insolvent debtor on the date it declares bankruptcy or acquired by it during the bankruptcy proceedings. Polish insolvency law lists those assets that are excluded from the bankruptcy estate, while other assets of the debtor can be excluded from the bankruptcy estate by a resolution of the creditors' committee.

The provisions of Polish insolvency law define the consequences that declaring a debtor bankrupt will have for its existing liabilities. In particular, Polish insolvency law renders null and void those contractual provisions that, in the event of a bankruptcy being declared, provide for a change or termination of a legal relationship that the insolvent debtor is party to. Moreover, those contractual provisions that provide for specific liabilities to be in an advantageous position during the bankruptcy proceedings shall be rendered null and void.

Furthermore, each agreement entered into by the insolvent debtor can be rendered ineffective against the bankruptcy estate if its provisions make it impossible or difficult to achieve the objective of the bankruptcy proceedings. Declaring a contract ineffective occurs during a special court proceeding carried out as a result of a suit filed by the bankruptcy receiver.

Pursuant to Polish insolvency law, legal transactions are ineffective if concluded by an insolvent debtor within one year preceding the day on which the bankruptcy petition was presented and resulting in the insolvent debtor disposing of his assets, if (i) the insolvent debtor did not receive any consideration in return for his performance or (ii) the consideration received by the insolvent debtor was grossly lower than the benefits achieved by the other party to such transaction.

Moreover, the granting of collateral and the payment of undue debt effected by the insolvent debtor in the two months preceding the day on which the bankruptcy petition was presented are also ineffective. However, those that have been paid or provided with a collateral can, by filing a suit or objection, demand that those transactions be considered effective if they had not been aware of grounds for a declaration of bankruptcy while concluding them.

Moreover, non-gratuitous legal transactions concluded by an insolvent debtor being a legal person during the six months before the day on which a bankruptcy petition was presented are ineffective against the bankruptcy estate if they have been concluded with the legal person's shareholders, representatives (including their spouses), as well as affiliated companies, their shareholders or representatives (including their spouses).

After a declaration of bankruptcy the bankruptcy estate cannot become encumbered with a mortgage, registered pledge, tax lien or a maritime mortgage in order to secure a liability incurred before the declaration of bankruptcy. Initiating bankruptcy proceedings affects any current court or administrative proceedings and debt collection proceedings. In any civil law cases, if a bankruptcy involving liquidation of the plaintiff's assets has been declared, the court conducting the proceedings is obliged, ex officio, to suspend the court proceedings and demand a bankruptcy receiver to enter the proceedings. Declaring the defendant bankrupt will result in the court proceedings being discontinued. By law, when a declaration of bankruptcy becomes final and valid, the debt collection proceedings against the insolvent debtor are discontinued.

In the case of liquidation, settling the creditors' claims is usually only possible upon registration of the claims by the receiver. The claims must be announced within the time specified in the adjudication order. Unsecured creditors' claims are settled in the following order:

- costs of bankruptcy proceedings and liabilities from contracts concluded by the insolvent debtor before the bankruptcy was declared and whose performance was requested by the bankruptcy trustee;

- liabilities arising out of an employment relationship falling due and payable before the bankruptcy was declared;
- tax and social security claims;
- simple creditors' claims along with interest for the last year before the opening of the bankruptcy proceedings; and
- subordinated interests.

Settling claims from one of these five categories is only possible after fully settling claims of the creditors from a more senior category. If settling all debts included in the same category is not possible due to lack of assets, the debts should be settled proportionally. However, monies obtained from liquidation of assets, liabilities and rights encumbered with a mortgage, a pledge or security transfer of title are allocated to settle creditors' claims that are secured by such assets, liabilities or rights (subject to certain exceptions). Monies remaining after settling those creditors' claims are included in the bankruptcy estate.

The proceedings will be closed by the court once all the monies are distributed. The court shall also close the insolvency proceeding in the event of lack of assets or inability to fully settle the creditors' claims. In some cases, liquidation may be avoided through arrangement with creditors and the company can continue to operate.

Please note that according to Polish law, the maximum value of interest arising out of a legal transaction cannot per annum exceed four times the pawn loan interest rate of the National Bank of Poland (*Narodowy Bank Polski*) (maximum interest). Should the value of interest arising out of a legal transaction exceed the value of maximum interest, then maximum interest is due. Contractual provisions cannot exclude or limit the provisions on maximum interest. The above mentioned specific provision of Polish law will be applied by a Polish court irrespective of the fact that the parties have chosen foreign law to govern the transaction. Furthermore, in the case of unsecured claims, interest is only counted until the date the bankruptcy is declared.

Another institution, provided for by Polish insolvency law, is rehabilitation proceedings. They are available to companies that currently pay their liabilities but are threatened with insolvency (and in some cases, also to insolvent companies). In such a case, the company files a declaration to the court on the commencement of corporate recovery proceedings, together with a rehabilitation plan. The recovery plan should demonstrate that the company is able to recover its ability to compete on the market. The court appoints a court supervisor for the firm for the duration of the proceedings. Repayment of the debtor's obligations is suspended (subject to certain exceptions) from the date of commencement of such proceedings, together with any interest payments due. Moreover, there can be no enforcement proceedings against the debtor, or proceedings to secure his assets. However, the proceedings have no effect on court proceedings against the debtor, including a creditor's petition to declare the debtor bankrupt or an administrative proceeding against the debtor.

Limitations to the Note Guarantee

In the event of subjecting guarantees to the laws of New York in a dispute before a Polish court, only substantive laws of New York law may be considered. Polish law will be applied for procedures and other insolvency issues. Furthermore, with regard to guarantees, a Polish court can refuse to apply or execute provisions that are subject to the laws of a foreign country, if the given legal provisions of the foreign country are in contravention of Polish public order or peremptory rules of Polish law, or if the law of a foreign country has to be applied regardless of the choice of law (*i.e.*, should any rights in rem be involved, they will be subject to the laws of the country in which the subject of these rights is located).

A Polish court can refuse to recognize the choice of the laws of New York if it concludes that (i) there is no connection between such law and the guarantee claim, or (ii) such law has been chosen as a result of by-passing the provisions of law or public order.

Pursuant to Polish law, only banks and insurance institutions can effectively issue abstract, independent and unconditional guarantees of the debtor's liabilities. Therefore, under Polish law it is not possible for other entities to issue guarantees, where the Guarantor is held liable for ensuring that the circumstances covered by the guarantee will not take place, regardless of whether there is a legal relationship out of which the secured liability arises. Pursuant to Polish law, guarantees for performance of obligations granted by companies assume the form of the so-called guarantee agreements. The difference between guarantee agreements and guarantees in a strict sense lies in the fact that the Guarantor's liability under the guarantee agreement depends on the existence and value of the debt to be secured by the guarantee. Therefore, should the guaranteed debt be non-existent, *e.g.*, in the event of an ineffective conclusion of an agreement out of which the debt secured by the guarantee arises, the Guarantor shall not be held liable for non-performance or improper performance of the obligation. As a rule, guarantee agreements are based on the following legal structures: (i) agreements concerning third party obligations, (ii) agreements concerning obligations to the benefit of a third party or (iii) surety agreements.

Pursuant to an agreement concerning third party obligations, the Guarantor ensures that the third party either incurs a given liability or performs a given obligation. In the event that the third party refuses to incur the liability or fails to perform the obligation, the Guarantor that has made this pledge shall be held liable for the damage that the other party has suffered as a result of the third party's conduct. However, the Guarantor can release himself from the requirement to redress the damage if he performs the promised obligation himself.

An agreement to the benefit of a third party consists of the Guarantor ensuring the debtor that he shall perform a given obligation to the benefit of the third party (creditor of the liability secured by the guarantee). Under an agreement to the benefit of a third party, the creditor of the given legal transaction is granted the right to request in his own name and directly from the Guarantor that the given obligation be performed.

Under Polish law, the basic method of personally securing liabilities is the surety. A surety is an agreement under which the Guarantor undertakes to the creditor to perform the obligation of the debtor in the event the debtor fails to do so. A surety is characterized by its dependent character, which is reflected by the fact that the existence and value of the main debt determines the existence and value of the dependent debt, arising out of the surety agreement. Sureties are commonly used in Poland for securing bond related liabilities of issuers.

Article 11 §2 of the Polish Bankruptcy Law provides that "*a debtor which is a legal person shall be deemed insolvent also where its obligations are in excess of the value of its assets, even if it should be current in the discharge of these obligations*". In light of the above mentioned provision of Polish law it is a market practice to structure guarantees in such a way that they do not cause Polish Guarantors to fall into the state of over-indebtedness (*stan nadmiernego zadłużenia*). Therefore, the guarantee to be provided by the Polish Guarantor should be worded in such a manner that the obligations of the Polish Guarantor are limited to the extent that they do not result in its insolvency within the meaning of Article 11 §2 of the Polish Bankruptcy Law. Such limitation however shall not apply in case of an event of default.

The liability of the Polish Guarantor under any guarantee provided by it shall be limited to the extent that it does not result in a reduction of the Polish Guarantor's assets necessary to fully cover its share capital in breach of Article 189 §2 of the Polish Commercial Companies Code, pursuant to which shareholders may not receive any disbursements of the company's assets that are needed in order to fully cover the share capital.

Portugal

One or more of the Guarantors of the Notes and providers of security to the Notes are incorporated under the laws of Portugal.

Portuguese Insolvency Law

Insolvency proceedings with respect to any Portuguese company may be initiated in Portugal and proceed under the Portuguese insolvency law.

The following is a brief description of certain aspects of the insolvency laws of Portugal.

The debtor (being a company) is considered to be insolvent when the aggregate value of its debt is higher than the value of its assets determined upon a fair assessment. However, the insolvency proceeding may be started, for example, in the following cases: (i) general default of the debtor's payment obligations; and (ii) the disappearance of the members of the board of directors, without an appropriate substitute being appointed; among others.

The insolvency proceedings may be initiated either by the debtor (voluntary insolvency), where the management of the company is under an obligation to declare it insolvent before the court within 60 days after this situation arises; or by any of its creditors, whatever the nature of the credit by any person who is responsible for the debtor's debts or by the Public Persecutions Service (compulsory insolvency).

Following the receipt of a petition, the court will consider whether the company is eligible for insolvency proceedings, with an impact upon the debtor's capacity. In case of compulsory insolvency and prior to the declaration there will be a deadline for the claims of the creditors.

The Portuguese Insolvency Code establishes a single main insolvency proceeding, called "*processo de insolvência*". The insolvency proceedings may, after the insolvency's declaration having been issued by the court, lead to the immediate liquidation of the company or to the approval of an insolvency plan.

The commencement of the insolvency proceedings is based in a written petition made by the debtor of by any creditor to the court. Where the insolvency petition is filed by the debtor, the following information must be therein indicated: i)) an indication as to whether the insolvency situation is existing or imminent; (ii) identification of the company's directors and of its five major creditors, (iii) the debtor's certificate issued by the commercial registry office; (iv) a list of all known creditors and the details of each claim and all pending lawsuits brought up against the debtor; (v) a comprehensive explanation of the company's activities over the last three years, as well as all the debtor's establishments; (vi) identification of all the shareholders and associates of the debtor and those who may be liable for the company's debts; (vii) a list of all company's assets and rights; (viii) the accounting books of the company; and (ix) a list of all the debtor's employees. Where the insolvency petition is not filed by the debtor, the petitioner shall present the information referred to in (ii) (excluding the petitioner as to the five major creditors) and (iii) above. If it is not possible for the creditor to present such information, it may request the debtor to do so. The petitioner shall also justify the origin, nature and amount of its credit, or its liability for insolvency credits, as well as present all information held by it relating to the assets and debts of the debtor.

The court shall notify the debtor to submit within ten days a pleading challenging the insolvency petition. If and when the debtor does not oppose the petition filed by any creditor or by the Public Prosecutor, the court should immediately declare the insolvency of the debtor. If the debtor submits a pleading challenging the insolvency petition, the court must settle a date for the hearing of the petitioner and the debtor within 5 days. After hearing, the court declares the insolvency or orders the closing of the proceedings.

Unsecured creditors have to claim for its rights in the insolvency proceeding within the period determined by the court up to 30 days from the declaration of the debtor's insolvency issued by the court.

In its declaration of the debtor's insolvency, the court shall appoint the insolvency administrator, who will immediately assume the control of the business. Such declaration is published in the Portuguese Official Gazette (*Diário da República*) and registered at the debtor's commercial registry.

The insolvency administrator has the power to collect the assets of the company wherever those assets may be located (although in practice, this will depend on whether the Portuguese insolvency administrator is recognized in the foreign jurisdiction).

Effects of the Insolvency for the Debtor

The insolvency administrator is entitled to carry out all transactions in the ordinary course of business, allowing the company to continue trading, being also responsible for collecting the company's assets, selling all these assets and making all the arrangements in order to pay the creditors and all the expenses.

However, the court may decide that the control of business may rest with the insolvent company's management, if: (i) the insolvency has been petitioned by the debtor; (ii) the insolvent company presents a restructuring plan; (iii) there is no expected disadvantage for the creditors or for the insolvency proceedings; or (iv) that is allowed by the petitioner, where the petitioner is not the debtor.

Rules on Priority of Credits

During the insolvency proceedings, the administrator will assess and quantify the claims against the debtor company. The creditors will be able to submit their claims by lodging them with the insolvency administrator.

Among others, the following creditors or claims have priority over other creditors: (i) claims from employees; (ii) court fees, including the remuneration of the insolvency administrator and other administrative and legal costs; (iii) taxes and social security; and (iv) creditors with security over the assets of the insolvent company.

Please also note that creditors with real estate securities or pledges over the assets of the company are paid first from the proceeds arising from the sale of such assets, provided that certain requirements are met. If those proceeds are not enough to pay the full amount owed by the creditor, the remaining amount will be treated as an unsecured claim.

Limitations

There are several types of transactions which can be challenged by the insolvency administrator after the company is declared insolvent. Some acts may be qualified as disadvantageous to the insolvency estate, *e.g.*, acts that diminish, frustrate, aggravate, put in danger or delay the rights of the creditors, performed within four years prior to the beginning of the insolvency proceedings. Under certain circumstances, such acts may be challenged on behalf of the insolvency estate. In these cases, the termination of said transactions is only possible if the third party had bad faith.

On the other hand, certain acts may be terminated to the benefit of the insolvency estate even if not performed in bad faith, such as acts entered into by the debtor which can be qualified as free of charge, transactions without any real benefit to the debtor, the payment of debts which would become due after the date of the insolvency proceedings, reimbursement of shareholder's loans made during the year before the beginning of the insolvency proceedings, the creation of guarantees within the six months prior to the declaration of insolvency without real interest for the insolvent company or the creation of any guarantees in the 60 days prior to the declaration of insolvency, among others.

Moreover, the insolvency declaration determines the suspension of any judicial enforcement action or any measures requested by the insolvency creditors relating to the assets which form part of the insolvency estate. It also prevents the initiation or continuance of any judicial enforcement procedure brought by the insolvency creditors.

Limitations on Enforcement

The guarantees and security granted by any company incorporated under Portuguese law shall not extend to cover any indebtedness which would cause the infringement of article 322 of the Portuguese Companies Code (*Código das Sociedades Comerciais*), as applicable, which restricts the ability of companies incorporated under Portuguese law to provide funds or any form of guarantee or security to secure any amount used by third parties to fund the acquisition or subscription of any shares or participations in such Portuguese company (or its direct or indirect controlling company).

Pursuant to article 6.3 of the Portuguese Companies Code, the granting of any guarantees or security by a Portuguese company to secure the obligations of the issuer, as a non-resident entity, shall only be considered included in the corporate power of said company if it has a justifiable corporate interest (*justificado interesse próprio*) in granting the guarantee and/or security. Please note that Portuguese law does not define the concept nor exemplifies what may be considered a justifiable corporate interest of a given company and Portuguese courts and scholars tend to use as criteria to determine the existence of justifiable corporate interest in specific situations, *inter alia*, the fact of whether the granting of the guarantee and/or security is necessary for the company to obtain a potential economical benefit/advantage or to avoid a loss. Therefore, in the event any Portuguese company is considered not to have a justifiable corporate interest in the granting of guarantees and/or security to secure the obligations of the issuer, such guarantees and/or security may not be enforceable under Portuguese law.

The documentation in relation to the guarantees and security, to the extent they concern a Portuguese Guarantor, may contain limitation language (including limitations as to the maximum amount that may be guaranteed and secured) and, hence, such guarantees and security interests are limited in the manner described therein.

Enforceability

The enforcement of security (including a guarantee) before the Portuguese courts will be subject to the following:

- a Portuguese court may refuse to give effect to any provision of the relevant agreements on the grounds that such provision conflicts with Portuguese public policy;
- the Portuguese courts will not grant enforcement in the event that they deem that a right has been exercised in abuse of right ("*abuso de direito*") and will not enforce an obligation in case of fraud;
- a Portuguese court may issue an award of damages where specific performance is deemed impracticable;
- a Portuguese court may not enforce a contractual provision which requires any party thereto to pay any amounts on the grounds that such provision is a penalty within the meaning of Article 812 of the Portuguese Civil Code which the court would consider excessive as a pre-estimate of damages or if the obligations secured by the penalty have partially complied with; in this event the court may reduce the amount of the penalty.

The principles above mentioned are of general application and in applying such principles a court, among other things, might not allow a creditor to accelerate maturity of a debt upon the occurrence of a default deemed immaterial.

Trustee and Security Agent

The legal concepts of "*Trustee*" and "*Security Agent*" do not exist under Portuguese law. Therefore, if enforcement of the Note Guarantees is carried out by the Trustee/ Security Agent, it may be necessary to prove that they are duly and expressly empowered for such purpose by means of a power of attorney granted in their favour by each of the Notesholders, duly notarized and legalized.

South Africa

South African Insolvency Law

The insolvency laws of South Africa may not be as favorable to your interests as a creditor as the laws of the jurisdiction with which you are familiar. The following is a brief description of certain aspects of insolvency law in South Africa. Insolvency in South Africa is currently regulated by:

- the Insolvency Act, 1936 (*the "Insolvency Act*");
- in respect of the winding-up and liquidation of solvent companies, the provisions of Part G of the Companies Act, 2008 (which came into effect 1 May 2011) (*the "Companies Act*"); and
- in respect of insolvent companies, the provisions of Chapter 14 of the Companies Act, 1973 (*the "1973 Companies Act*"). Despite the general repeal of the 1973 Companies Act, the provisions of Chapter 14 of the 1973 Companies Act will continue to apply to the winding-up and liquidation of insolvent companies until such time alternative bankruptcy legislation is legislated.

Any creditor, or the debtor itself, may initiate insolvency proceedings in South Africa. Generally a company will be vulnerable to insolvency proceedings if:

- its liabilities exceed the value of its assets; or
- it is unable to pay its debts as and when they become due.

After the initiation of liquidation proceedings, the debtor must refrain from any actions that are not in the ordinary course of business and which would reduce its assets. Once a company is liquidated, all of its assets vest in a liquidator and that company can no longer dispose of any of its property.

Under South African insolvency law, there are three types of creditors which exist for ranking purposes, namely:

- concurrent creditors;
- secured creditors; and
- preferential creditors.

Concurrent creditors do not enjoy any advantage over other creditors of the insolvent company. Concurrent creditors are paid out of the free residue after any preferential creditors have been paid. Concurrent creditors all rank equally. Should the free residue be insufficient to meet their claims each receives an equal portion of its claim by way of a dividend.

A secured creditor is one who holds security for its claim in the form of a special mortgage (which includes a registered i) mortgage bond over immovable property, ii) special notarial bond over specified movable property and iii) general notarial bond over movable property generally, such a general notarial bond requiring perfection before it can constitute real security), landlord's legal hypothec, pledge or right of retention. A secured creditor must have real security. A creditor whose claim is secured by suretyship or guarantee is not secured in the context of secured creditors. A secured creditor is entitled to be paid out of the proceeds of the sale of the property subject to the security, after payment of certain expenses and any secured claim which ranks higher. If the proceeds of the encumbered property are insufficient to cover the secured creditor's claim, it has a concurrent claim for the balance. Should the secured creditor choose to rely exclusively on its security, it waives the right to participate in the free residue.

Preferential creditors are creditors whose claim is not secured but nevertheless ranks above the claims of concurrent creditors. Preferential creditors are entitled to payment out of the free residue of the estate prior to the payment of concurrent creditors (that portion which is not subject to any security interests).

Under the Insolvency Act, a court may set aside a disposition of property not made for value by an insolvent company. The test for "*insolvency*" in this case is not a cash flow test, but whether or not the company's liabilities exceed its assets. A court will set aside such a disposition if:

- the disposition was made more than two years before the liquidation of the insolvent company's estate, and it is proved that, immediately after the disposition was made, the liabilities of the insolvent company exceeded its assets;
- the disposition was made within two years of the liquidation of the insolvent company's estate, and the person who benefited by the disposition is unable to prove that, immediately after the disposition was made, the assets of the insolvent company exceeded its liabilities.

In either case, if it is proved that "*at any time after the making of the disposition*" the liabilities of the insolvent company exceeded its assets by an amount less than the "*value of the property disposed of*", then the disposition may be set aside only to the extent of such excess.

The Insolvency Act makes provision for the setting aside of a disposition of the debtor's property which is made not more than six months before the liquidation and which had the effect of preferring one creditor over another, if immediately after the making of such disposition the liabilities of the debtor exceeded the value of its assets. If the person in whose favor the disposition was made proves that the disposition was made in the ordinary course of business and that it was not intended thereby to prefer one creditor above another, then such disposition may not be set aside.

The Insolvency Act also provides that if a debtor made a disposition of its property at a time when its liabilities exceeded its assets, with the intention of preferring one of its creditors above another, and it is thereafter liquidated, the court may set aside the disposition. A surety for the debtor and a person in a position by law analogous to that of a surety is deemed to be a creditor of the debtor concerned.

The Insolvency Act makes provision for the setting aside of all dispositions where the insolvent company, prior to insolvency and in collusion with another person, disposed of property belonging to the company in a manner which had the effect of prejudicing its creditors or of preferring one creditor over another. There is legal authority which states that in order for any transaction to be set aside under this provision, the transaction must have been concluded with a fraudulent intention. This applies equally to actions by creditors under South African common law.

Under South African common law, a disposition may be set aside where the creditors of the insolvent estate can prove that:

- the disposition reduces the assets of the company;
- the company and the entity in favour of whom the disposition was made had a common intention to defraud or prejudice the creditors of the insolvent; and
- the prejudice to the insolvent's creditors was caused by the fraud referred to above.

The Insolvency Act provides that if a company transfers any business belonging to it or the goodwill of such business or any goods or property forming part thereof (save in the ordinary course of that business or for the purpose of securing the payment of a debt) and such company has not published a notice of the intended transfer in the Government Gazette within a period of not less than 30 and not more than 60 days prior to the date of such transfer, the transfer shall be void as against the creditors of the seller for a period of six months after such transfer and in addition shall be void against the trustee if the estate of the seller is liquidated within such time period.

A disposition which was completed and thereafter set aside by the court, or a disposition which was not completed, does not give rise to any claim in competition with the creditors of the estate. In the latter case, however, where the disposition was one of suretyship, guarantee or indemnity, the creditors in whose favor the suretyship, guarantee or indemnity was executed may compete with the creditors of the estate for an amount not exceeding the amount of the excess of the insolvent company's assets over its liabilities immediately before making the disposition.

The voidable disposition provisions in the Insolvency Act will be avoided in circumstances where the parties are able to confirm that immediately after the making of the disposition, the relevant party's assets exceeded its liabilities.

The Companies Act 2008 came into operation on 1 May 2011 and overhauls the current laws governing companies in South Africa. Companies in distress now have available a new remedy called "*business rescue*". Business rescue proceedings can be initiated in one of two ways:

- by a resolution of the board of directors of the company to voluntarily begin business rescue proceedings, if the board has reasonable grounds to believe that the Company is financially distressed and there appears to be a reasonable prospect of rescuing the Company; or
- by way of court order on application by an affected person (such as, for example, shareholder or employee (either independently or, where represented by a trade union, then the relevant, registered trade union) of the financially distressed company).

The business rescue provisions apply to companies that are "*financially distressed*" in contrast to companies that are insolvent. A company is "*financially distressed*" if it appears that it is reasonably unlikely that the company will be able to pay its debts as they fall due and payable in the succeeding six-month period or it appears that it is reasonably likely that the company will become insolvent within the next six months. Business rescue proceedings, when instituted, in certain circumstances suspends legal proceedings, including enforcement actions, and results in a temporary moratorium on the rights of claimants against the relevant company or in respect of the property in its possession. However, although the Companies Act makes provision for business rescue proceedings and compromise with creditors, it does not affect or change the current insolvency legislation, other than by providing for certainty on the ranking of creditors who have provided finance during the business rescue proceedings.

Parallel Debt; Security Interest

Under South African law, it is uncertain whether a security interest can validily be created in favour of a security agent acting as agent for a group of lenders or noteholders. This is because for a security interest to be lawful, a valid principal obligation (in other words, not an accessory obligation) must be owed to the grantor of that security interest, and the security agent arrangement lacks this requirement.

The holders of interests in the Notes from time to time will not be parties to the security documents. In order to permit the holders of the Notes from time to time to benefit from the pledge granted to the Security Agent under South African law, the Intercreditor Agreement provides for the creation of a "*parallel debt*" obligation. Pursuant to the parallel debt obligation, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under, in particular, the Notes and the indenture. The pledge governed by South African law will directly secure the parallel debt only.

Limitation on Enforcement

Under South African law, the formalities for establishing a valid security interest in an asset (including shares) are those of the place where the asset is situated. If the asset is situated in South Africa, formalities under South African law must be satisfied. The shares which form the subject of the pledge are for purposes of establishing a security interest, located in South Africa.

In terms of the Exchange Control Regulations, 1961, no South African resident may transfer any assets (including shares or the proceeds of such shares) out of South Africa without the prior approval of the South Africa Reserve Bank ("*SARB*"). The SARB's current policy is to "*pre-approve*" certain types of transactions, payments and transfers for exchange control purposes. The issuing of a guarantee and the granting of security interests by South African residents is not a category of transaction that is pre-approved. Therefore, in order for a South African resident to issue a guarantee or to grant a security interest to a non-South African resident, the South African resident will be required to obtain the necessary approval from the SARB.

The granting of a pledge and cession over shares and claims held by a non-resident to another non-resident does not require the prior approval of SARB; provided that the share certificates relating to those shares are endorsed "Non-Resident" by an authorized dealer on behalf of the SARB.

Sweden

One or more of the Guarantors of the Notes and providers of security to the Notes (each, a "*Swedish Guarantor*") is incorporated under the laws of Sweden and, as such, any insolvency proceedings applicable to the Swedish Guarantor may be governed by Swedish insolvency law.

Priority of Certain Creditors

The principles of priority order under Swedish insolvency law are mainly set out in the Swedish Rights of Priority Act 1970, as amended (the "*Rights of Priority Act*") (*Sw. Förmånsrättslag (1970:979)*). As a general principle, competing claims have equal right to payment in relation to the size of the amount claimed from the debtor's assets. However, some preferential and secured creditors, where such preference or security may arise as a consequence of law, have the benefit of payment before other creditors. There are two types of preferential rights: "*specific preferential rights*" and "*general preferential rights*". "*Specific preferential rights*" apply to certain specific property and give the creditor a right to payment from such property. "*General preferential rights*" cover all property belonging to the insolvent company's estate in bankruptcy, which is not covered by specific preferential rights, and give the creditor a right to payment from such property. Claims that do not carry any of the above mentioned preferential rights or exceed the value of the security provided for such claim (to the extent of such excess), are non-preferential and are of equal standing as against each other.

Limitations on the Value of a Note Guarantee or Security Interest

To the extent that a guarantee or a pledge by a Swedish limited liability company as security for the obligations of a parent or sister company exceed the distributable reserves (calculated according to the latest annual report approved by the annual shareholders meeting, such amount reduced by any negative variations or reservations since the end of the financial year to which the annual report relates to the date when the guarantee or pledge is given, considering also the capital demands imposed by the nature, scope and risks associated with the company's operations, the company's general needs to strengthen its balance sheet, liquidity and financial position and corresponding demands on a group level in relation to the company's subsidiaries) of the relevant Guarantor or pledgor at the time when the guarantee or pledge is given, the validity of such guarantee or pledge is subject to the condition that the Guarantor or pledgor receives consideration on market terms for its undertakings or that otherwise sufficient corporate benefit accrues. It should also be noted that laws relating to financial assistance in Sweden prohibit limited liability companies incorporated in Sweden from providing guarantees or granting security or other credit support for debt financing the direct or indirect acquisition of shares in these companies, or limit the enforceability of such guarantees and securities. Accordingly, the Note Guarantee and the Collateral to be provided by the Swedish Guarantor will be limited (and the documentation in respect thereof will contain the relevant restrictions) to ensure compliance with the Swedish Companies Act (*Sw. Aktiebolagslagen (2005:551)*). It should be noted that to the extent the Note Guarantee provided by the Swedish Guarantor contravenes any of the aforesaid principles; the value of the Note Guarantee to any of the beneficiaries thereof may be severely restricted.

Limitations on the Validity of Certain Transactions

In Swedish bankruptcy and company reorganization proceedings, transactions can (in certain circumstances and subject to a time limit) be reversed and the goods or money can then be returned to the bankruptcy estate or the company subject to company reorganization. Broadly, these transactions include, amongst others, situations where the debtor has conveyed property fraudulently or preferentially to one creditor to the detriment of its other creditors before the initiation of the relevant insolvency proceedings, created a new security interest, granted a guarantee or security that was either not stipulated at the time when the secured obligation arose or not perfected without delay after such time and the delay is not considered to be ordinary, or paid a debt that is not due or that is considerable compared to the value of the debtor's assets or if the payment is made by using unusual means of payment. Transactions could also be reversed in case the value of the property or money transferred by the debtor was much higher than the consideration. In the majority of situations, a claim for recovery can be made concerning actions that were made during the three months preceding the commencement of the relevant Swedish insolvency proceedings. In certain situations, longer time limits apply and in others there are no time limits. These include, amongst others, situations where the other party to an agreement or other arrangement is deemed to be a closely related party to the debtor such as a subsidiary or parent company.

Stamp duty

No Swedish stamp duty will be payable on granting of the Note Guarantee and/or first priority share pledges by the Swedish Guarantor but may however be payable should the Swedish Guarantor be obliged to take out new corporate mortgage certificates in the business of the Swedish Guarantor.

Security Granted in Favor of a Security Agent

It is generally possible under Swedish law to grant security interests in favor of an agent acting on behalf of the secured parties. However, it is not established by judicial precedent or otherwise by law that a power of attorney or a mandate of agency, including the appointment of an agent, can be made irrevocable. Therefore, any powers of attorney or mandates of agency can be revoked and will terminate by operation of law and without notice at the bankruptcy or temporal demise of the party giving such powers.

Limitations on Enforceability due to the Swedish Reorganization Act of 1996

The Swedish Company Reorganization Act 1996 (the "*Reorganization Act*") (*Sw. Lag (1996:764) om företagsrekonstruktion*) provides companies facing economic difficulty with an opportunity to resolve these without being declared bankrupt. Corporate reorganization proceedings shall, as a main rule, terminate within three months from commencement but may under certain conditions be extended for up to one year.

An administrator is appointed by the court and supervises the day-to-day activities and safeguards the interests of creditors. However, the debtor remains in full possession of the business except that, for important decisions such as paying a debt that has fallen due prior to the order of reorganization, granting security for a debt that arose prior to the order, undertaking new obligations or transferring, pledging or granting rights in respect of assets of a substantial value for the business, the consent of the administrator is required.

The making of an order under the Reorganization Act does not have the effect of terminating contracts with the debtor and, during the reorganization procedure, the debtor's business activities continue in the normal way. However, the procedure includes a suspension of payments to creditors and the debtor cannot pay a debt that fell due prior to the order without the consent of the administrator and such consent may only be granted should there be exceptional reasons for doing so and, generally, any petition for bankruptcy in respect of the debtor will be stayed. A moratorium also applies to execution in respect of a claim or enforcement of security during Swedish corporate reorganization proceedings unless the security assets are in the physical possession of the secured creditor or any agent acting on behalf of such creditor, which is the case with a share pledge over the shares in a Swedish limited liability company where the share certificates of such company has been delivered to the agent for the secured creditor.

The debtor may apply to the court requesting "*public composition*" proceedings (*Sw. offentligt ackord*) which means that the amount of a creditor's claim may be reduced on a percentage basis. The proposal for a "*public composition*" must meet certain requirements such as that a sufficient proportion of the creditors which are allowed to vote, in respect of a sufficient proportion of the outstanding claims vote in favor of such public composition. Creditors with set-off rights and secured creditors will not participate in the composition unless they wholly or partly waive their set-off rights or priority rights. Should the security not cover a secured creditor's full claim, the remaining claim will, however, be part of a public composition. A creditors' meeting is convened to vote on the proposed public composition. The public composition is binding for all known and unknown creditors that had a right to participate in the public composition proceedings.

Enforcement Process

In the event of Swedish bankruptcy, a Swedish court will appoint a receiver who will work in the interest of all creditors with the objective of selling the debtor's assets and distribute the proceeds among the creditors.

The purpose of Swedish bankruptcy proceedings is to wind up a Swedish company in such a way that the company's creditors receive as high a proportion of their claims as possible. The receiver in bankruptcy is required to safeguard the assets and can decide to continue the business or to close it down, depending on what is considered best for all creditors. In general, the receiver in bankruptcy is required to sell the assets of the debtor as soon as possible and to distribute the proceeds. In the interim, the receiver will take over the management and control of the company and the company's directors and/or managing director will no longer be entitled to represent the company or dispose of the company's assets. Secured creditors may, subject to restrictions and notification requirements, enforce certain types of security despite the pledgor's bankruptcy.

When distributing the proceeds, the receiver must follow the mandatory provisions of the Rights of Priority Act, which state the order in which creditors have a right to be paid. As a general principle, in Swedish bankruptcy proceedings, competing claims have equal right to payment in relation to the size of the amount claimed from the debtor's assets. However, as stated above, preferential or secured creditors have the benefit of payment before unsecured creditors.

In case of enforcement outside bankruptcy, an enforcement process is initiated by the creditor obtaining an enforcement order from the Swedish Enforcement Authority (*Sw: Kronofogdemyndigheten*) or the relevant Swedish court. Upon obtaining an enforcement order against a debtor, a creditor may apply to the Swedish Enforcement Authority for an order to pay or on eviction. Should the creditor's claim be secured by way of a pledge, he may (based on his rights under the pledge agreement and depending on the kind of collateral) choose to enforce the pledge by liquidating the security assets in addition to or instead of initiating an enforcement procedure with the Swedish Enforcement Authority or the court. Such secured party is always considered a creditor with specific right of priority to payment.

Limitations on guarantee by Swedish Guarantors

In relation to any Guarantor incorporated in Sweden (a "*Swedish Guarantor*"), its obligations and liabilities under any Finance Document shall be limited, if (and only if) required by an application of the mandatory provisions of the Swedish Companies Act regulating (i) unlawful distribution of assets and transfer of value (Chapter 17, Sections 1 to 4), and (ii) unlawful financial assistance and other prohibited loans, security and guarantees (Chapter 21, Section 5) and it is understood that the obligations and liabilities of each Swedish Guarantor under this agreement only applies to the extent permitted by the above mentioned provisions of the Swedish Companies Act.

United States of America

Under the U.S. Bankruptcy Code or comparable provisions of U.S. state fraudulent transfer or fraudulent conveyance laws, the incurrence of the obligations under the Notes, the issuance of the Note Guarantees by the U.S. Guarantors (the "*U.S. Note Guarantees*") and the grant of Collateral, whether now or in the future, by the Issuer and the U.S. Guarantors (together, the "*Obligors*") could be avoided, if, among other things, at the time the Obligors (i) incurred the obligations, issued the related U.S. Note Guarantees or gave the Collateral, the Obligors intended to hinder, delay or defraud any present or future creditor or (ii) received less than reasonably equivalent value for the incurrence of such indebtedness or the grant of such Collateral and the Obligors:

- were insolvent or rendered insolvent by reason of such incurrence or grant of security;
- were engaged or were about to engage in a business or transaction for which the Obligors' remaining assets constituted unreasonably small capital in relation to the business or transaction; or
- intended to incur, or believed or reasonably should have believed that they would incur, debts beyond their ability to pay such debts as they mature (clauses (i) or (ii) above, an "*Avoidance Event*").

In case of an Avoidance Event, a U.S. bankruptcy court could subordinate any claim that the holders of the Notes make against the U.S. Guarantors for amounts payable under the U.S. Note Guarantees to the debt and other liabilities of the U.S. Guarantors, including trade payables.

The right of a holder of the Notes to enforce its security interests against the Obligors upon the occurrence of an event of default under the Indenture governing the Notes is subject to limitations imposed by applicable U.S. bankruptcy law if we became subject to a case under the U.S. Bankruptcy Code before such security interest was enforced. Upon the commencement of a case under the U.S. Bankruptcy Code, a secured creditor, such as a holder of Notes, is prohibited by the automatic stay imposed by the U.S. Bankruptcy Code from obtaining possession or exercising control over its collateral or enforcing its security interest against a debtor in a U.S. bankruptcy case, without a U.S. bankruptcy court's approval, which may not be given. Moreover, the U.S. Bankruptcy Code permits the debtor to continue to retain and use collateral even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given "*adequate protection*". The term "*adequate protection*" is not defined in the U.S. Bankruptcy Code, but it includes making periodic cash payments, providing an additional or replacement lien or granting other relief, in each case, to the extent that the collateral decreases in value during the pendency of the U.S. bankruptcy case as a result of, among other things, the use, sale or lease of such collateral or the imposition of the automatic stay. The type of adequate protection provided to a secured creditor may vary according to circumstances. A U.S. bankruptcy court may determine that a secured creditor may not require additional adequate protection for a diminution in the value of its collateral if the value of the collateral exceeds the amount of the debt that it secures.

In view of the automatic stay, the lack of a precise definition of the term "*adequate protection*" and the broad discretionary power of a U.S. bankruptcy court, it is impossible to predict:

- whether or when a holder of the Notes could enforce its security interests;
- the value of the Collateral at the time of the bankruptcy petition; or
- whether or to what extent holders of the Notes would be compensated for any delay in payment or loss of value of the Collateral through the requirement of "*adequate protection*" or whether in fact the means of providing protection will, in fact, be adequate to prevent in full all loss of value.

Any future grant of security interest with regard to the Collateral in favor of the Notes, including pursuant to security documents delivered after the date of the Indenture governing the Notes, might be avoidable by the grantor (as debtor-in-possession) or by its trustee in bankruptcy as a preference if certain events or circumstances exist or occur, including, among others, if the grantor is insolvent at the time of the grant, the security interest permits the holders of the Notes to receive a greater recovery than if the bankruptcy case were a case under chapter 7 of the U.S. Bankruptcy Code and the security had not been given and a bankruptcy case in respect of the grantor is commenced within 90 days following the grant, or in certain circumstances, a longer period.

The documentation in relation to the U.S. Note Guarantees and security, to the extent they concern a U.S. Guarantor, will contain customary "*limitation language*" (including limitations as to the maximum amount that may be guaranteed and secured) that is intended to address the risk of the U.S. Note Guarantees and security given by a U.S. Guarantor being set aside, avoided or annulled by a bankruptcy court under the U.S. Bankruptcy Code or any other bankruptcy, insolvency or similar law of the U.S. or any state thereof (including any applicable U.S. state fraudulent transfer or conveyance law), and, hence, such U.S. Note Guarantees and security interests will be limited in the manner described therein. It is not assured, however, that this limitation will protect such guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the U.S. Note Guarantees would suffice, if necessary, to pay the Notes in full when due. In a recent Florida bankruptcy case, this kind of provision was found to be ineffective to protect the guarantees.

ADDITIONAL INFORMATION

Listing

Application has been made to list the Notes on the Official List of the Irish Stock Exchange and to admit the Notes to trading on the Global Exchange Market thereof. The estimated fees and expenses related to the listing and admission of the Notes to trading will be approximately €5,000.

Clearing Reference Numbers

The Notes have been accepted for clearance through the facilities of DTC, Euroclear and Clearstream. The ISIN, Common Code and CUSIP numbers for the Notes are as follows:

Note	ISIN	Common Code	CUSIP
Euro Rule 144A	XS0637107680	063710768	—
Euro Regulation S	XS0637101139	063710113	—
Dollar Rule 144A	US497125AA22	063731331	497125 AA2
Dollar Regulation S	USD6095PAA15	063731285	D6095P AA1

Interests of Natural and Legal Persons Involved in the Issuance of the Notes

Save as discussed in the section of this offering memorandum entitled "*Plan of Distribution*", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to such offer.

Incorporation of the Issuer

Kinove German Bondco GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany, was formed as a shelf company under the name Blitz F11-eins-vier GmbH and registered on March 15, 2011 in the commercial register of the local court of Frankfurt am Main under number HRB 90478. The name of the Issuer was changed to Kinove German Bondco GmbH on April 19, 2011, after German Holdco acquired the Issuer on April 13, 2011. Until completion of the Acquisition, the Issuer's business address will be c/o Blitzstart Holding AG, Bavariaring 29, 80336 Munich, Germany, and its telephone number will be +49 (0) 8995 4430 250. Upon completion of the Acquisition, the Issuer's business address is expected to become c/o Evonik Carbon Black GmbH, Rodenbacher Chaussee 4, 63457 Hanau, Germany, and its telephone number is expected to become +49 (0) 6181 590. The address of the managing directors of the Issuer is the Issuer's business address.

Incorporation of the Initial Guarantors

Kinove Luxembourg Holdings 2 S.à r.l., a limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, has its registered office at 15, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg, and is registered with the Luxembourg Trade and Companies Register under number B 160558. Luxco2 was incorporated on April 13, 2011 before Maître Patrick Serres, a notary residing in Remich, Grand Duchy of Luxembourg. Luxco2's telephone number is +352 422 229 (being the telephone number of Luxco2's domiciliation agent).

Kinove German Holdings GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany, was formed as a shelf company under the name Blitz F11-eins-drei GmbH and registered on March 17, 2011 in the commercial register of the local court of Frankfurt am Main under number HRB 90495. The name of the German Holdco was changed to Kinove German Holdings GmbH on April 26, 2011. Until completion of the Acquisition, German Holdco's business address will be c/o Blitzstart Holding AG, Bavariaring 29, 80336 Munich, Germany, and its telephone number will be +49 (0) 8995 4430 250. Upon completion of the Acquisition, German Holdco's business address is expected to become c/o Evonik Carbon Black GmbH, Rodenbacher Chaussee 4, 63457 Hanau, Germany, and its telephone number is expected to become +49 (0) 6181 590.

Kinove German Bidco GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany, was formed as a shelf company under the name Blitz F11-eins-fünf GmbH and registered on March 16, 2011 in the commercial register of the local court of Frankfurt am Main under number HRB 90485. The name of German Bidco was changed to Kinove German Bidco GmbH on April 19, 2011. Until completion of the Acquisition, German Bidco's business address will be c/o Blitzstart Holding AG, Bavariaring 29, 80336 Munich, Germany, and its telephone number will be +49 (0) 8995 4430 250. Upon completion of the Acquisition, German Bidco's business address is expected to become c/o Evonik Carbon Black GmbH, Rodenbacher Chaussee 4, 63457 Hanau, Germany, and its telephone number is expected to become +49 (0) 6181 590.

Incorporation of Evonik Carbon Black GmbH

Evonik Carbon Black GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of the Federal Republic of Germany, was registered on May 11, 2010 in the commercial register of the local court of Essen under number HRB 22234. ECB Germany's business is the production and sale of carbon black. ECB Germany's business address is Rodenbacher Chaussee 4, 63457 Hanau, Germany, and its telephone number is +49 (0) 6181 590.

Corporate Authority

The Issuer and the Initial Guarantors have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes and the Initial Guarantees, respectively.

Persons Responsible

The Issuer accepts responsibility for the information contained in this offering memorandum. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Absence of Significant Changes

There has been no material adverse change in our prospects since March 31, 2011. There has been no material adverse change in our financial or trading position since March 31, 2011.

Absence of Litigation

We are not involved (and have not been involved in the 12 months preceding the date of this offering memorandum) in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) that may have or have had in the recent past, significant effects on our financial position or profitability.

Third-Party Information

The information contained in this offering memorandum which has been sourced from third parties has been correctly reproduced, and, as far as the Issuer is aware and able to ascertain from information published by that third party, no facts have been omitted which could render the reproduced information inaccurate or misleading. See "*Industry, Ranking and Other Data*" elsewhere in this offering memorandum.

Periodic Reporting Under the Exchange Act

The Issuer is not currently subject to the periodic reporting and other information requirements of the Exchange Act.

Documents Available for Inspection

For as long as the Notes remain listed on the Official List and traded on the Global Exchange Market of the Irish Stock Exchange, and the rules of that exchange so require, electronic copies of the documents listed below will be made available, upon request, to any holder or prospective purchaser of the Notes. Any such requests should be directed to Kinove German Bondco GmbH, c/o Blitzstart Holding AG, Bavariaring 29, 80336 Munich, Germany.

- this offering memorandum;
- the articles of incorporation (*Gesellschaftsvertrag*) of the Issuer;
- the Indenture (which includes the forms of the Notes);
- the Intercreditor Agreement;
- the Security Documents;
- the Escrow Agreement; and
- the combined financial statements of Evonik Carbon Black as of and for the years ended December 31, 2010, 2009 and 2008 and the condensed interim combined financial statements of Evonik Carbon Black as of and for the period ended March 31, 2011 and 2010.

In addition, copies of the combined financial statements of Evonik Carbon Black as of and for the years ended December 31, 2010, 2009 and 2008 and the condensed interim combined financial statements of Evonik Carbon Black as of and for the period ended March 31, 2011 and 2010, may also be inspected in physical form at the registered office of the Paying Agent.

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Evonik Carbon Black

Condensed Interim Combined Financial Statements

as of and for the period ended

March 31, 2011 and

March 31, 2010

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Evonik Carbon Black

Interim combined income statement
For the three months periods ended March 31, 2011 and 2010. Amounts in million of EUR

	Note	2011	2010
Sales	4.1	338.9	280.2
Cost of sales		-270.8	-226.3
Gross profit on sales		**68.1**	**53.9**
Selling expenses		-27.2	-25.1
Research and development expenses		-2.6	-2.8
General administrative expenses		-12.0	-10.6
Other operating income	4.2	7.3	3.0
Other operating expenses	4.3	-9.0	-5.0
Income before financial result and income taxes, continuing operations		**24.6**	**13.4**
Interest income		0.3	0.0
Interest expense	4.4	-5.2	-3.0
Result from investments recognized at equity		0.1	0.1
Financial result		**-4.8**	-2.9
Profit / Loss before taxes, continuing operations		**19.8**	**10.5**
Income taxes	4.5	-6.6	-3.0
Profit / Loss after taxes, continuing operations		**13.2**	**7.5**
Profit / Loss after taxes		**13.2**	**7.5**
thereof attributable to			
Non-controlling interests		0.2	0.2
Equity holders of the parent (net income)		13.0	7.3

The notes 1 to 6 are an integral part of the Condensed Interim Combined Financial Statements.

Evonik Carbon Black

Interim combined statement of comprehensive income
For the three months periods ended March 31, 2011 and 2010. Amounts in million of EUR

	Note	2011	2010
Profit / Loss after taxes		**13.2**	**7.5**
thereof attributable to			
Non-controlling interests		0.2	0.2
Equity holders of the parent		13.0	7.3
Unrealised gains/losses on hedging instruments	4.6	-0.4	0.6
Income Tax effect	4.6	0.1	-0.2
Other comprehensive income		**-0.3**	**0.4**
Currency translation adjustment	4.6	-5.9	0.2
Other comprehensive income for the year net of tax		**-6.2**	**0.6**
thereof attributable to			
Non-controlling interests	4.6	-0.7	0.7
Equity holders of the parent	4.6	-5.5	-0.1
Total comprehensive income		**7.0**	**8.1**
thereof attributable to			
Non-controlling interests		-0.5	0.9
Equity holders of the parent		7.5	7.2

The notes 1 to 6 are an integral part of the Condensed Interim Combined Financial Statements.

Evonik Carbon Black

Interim combined balance sheet
As of March 31, 2011 and December 31, 2010. Amounts in million of EUR

	Note	March 31, 2011	Dec 31, 2010
Intangible assets		166.2	168.2
Property, plant and equipment		353.0	368.0
Investments recognised at equity		4.3	4.2
Financial assets		1.5	1.7
Deferred tax assets		10.8	11.5
Other receivables		1.1	1.1
Non-current assets		**537.0**	**554.7**
Inventories	4.1	178.7	168.4
Other income tax assets		0.7	0.6
Trade accounts receivable	4.1	261.0	251.1
Other receivables		30.8	26.1
Financial assets		43.2	55.7
Cash and cash equivalents		16.8	28.1
Current assets		**531.2**	**530.0**
Total assets		**1,068.1**	**1,084.7**
Equity attributable to equity holders of the parent	4.6	419.7	407.0
Equity attributable to non-controlling interests	4.6	12.2	10.9
Total invested equity		**431.9**	**417.9**
Provisions for pensions and other post-employment benefits		26.1	26.6
Other provisions		25.7	25.4
Deferred tax liabilities		36.1	37.6
Financial liabilities		60.0	51.4
Non-current liabilities		**147.9**	**141.0**
Other Provisions		31.2	30.8
Other income tax liabilities	4.5	21.6	16.2
Financial liabilities		318.9	334.3
Trade accounts payable		103.9	129.8
Other payables		12.7	14.7
Current liabilities		**488.3**	**525.8**
Total invested equity and liabilities		**1,068.1**	**1,084.7**

The notes 1 to 6 are an integral part of the Condensed Interim Combined Financial Statements.

Evonik Carbon Black

Interim combined statement of cash flows
For the three months periods ended March 31, 2011 and 2010. Amounts in million of EUR

	Note	2011	2010
Income before financial result and income taxes, continuing operations		24.6	13.4
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current		11.8	11.5
Gains/losses on disposal of non-current assets		0.1	0.1
Change in inventories		-10.2	-9.3
Change in trade accounts receivable		-10.0	-43.2
Change in trade accounts payable and current advance payments received from customers		-26.0	5.3
Change in provisions for pensions and other post-employment benefits		-0.2	-0.1
Change in other provisions		1.3	0.6
Change in miscellaneous assets/liabilities		-8.1	-0.2
Cash outflows for interest		-3.0	-1.3
Cash inflows from interest		0.2	0.0
Cash outflows for income taxes		-2.5	-1.3
Cash flow from operating activities	5.1	**-22.0**	**-24.5**
Cash outflows for investments in intangible assets, property, plant and equipment		-6.3	-1.7
Cash inflows from divestments of intangible assets, property, plant and equipment		0.1	0.1
Cash flow from investing activities	5.2	**-6.2**	**-1.6**
Cash outflows for dividends		0.0	0.4
Cash inflows from the addition of financial liabilities		56.0	34.2
Cash outlows for repayment of financial liabilities		-45.2	-9.1
Net financing with parent		7.0	-7.0
Cash flow from financing activities		**17.8**	**18.5**
Change in cash and cash equivalents		**-10.4**	**-7.6**
Cash and cash equivalents as of January 1		**28.1**	**10.2**
Change in cash and cash equivalents		-10.4	-7.6
Changes in exchange rates and other changes in cash and cash equivalents		-0.9	0.4
Cash and cash equivalents as of March 31	5.3	**16.8**	**3.0**

The notes 1 to 6 are an integral part of the Condensed Interim Combined Financial Statements.

Evonik Carbon Black

Interim combined statement of changes in invested equity
For the three months periods ended March 31, 2011 and 2010. Amounts in million of EUR

	Attributable to equity holders of the parent						
	Owner investment by parent	Foreign currency translations	Hedge reserve	Asset revaluation reserve	Total attributable to equity holders of the parent	Non-controlling interests	Total invested equity
Balance as of January 1, 2010	**450.2**	**-9.5**	**0.3**	**15.9**	**456.9**	**9.6**	**466.5**
Income after taxes	7.3	0.0	0.0	0.0	7.3	0.2	7.5
Other comprehensive income	0.0	-0.5	0.4	0.0	-0.1	0.7	0.6
Total comprehensive income	7.3	-0.5	0.4	0.0	7.2	0.9	8.1
Depreciation transfer	0.5	0.0	0.0	-0.5	0.0	0.0	0.0
Dividend distribution	0.4	0.0	0.0	0.0	0.4	0.0	0.4
Net financing with parent	-7.0	0.0	0.0	0.0	-7.0	0.0	-7.0
Balance as of March 31, 2010	**451.4**	**-10.0**	**0.7**	**15.4**	**457.5**	**10.5**	**468.0**
Balance as of January 1, 2011	**389.0**	**2.0**	**0.3**	**13.9**	**405.2**	**12.7**	**417.9**
Income after taxes	13.0	0.0	0.0	0.0	13.0	0.2	13.2
Other comprehensive income	0.0	-5.2	-0.3	0.0	-5.5	-0.7	-6.2
Total comprehensive income	13.0	-5.2	-0.3	0.0	7.5	-0.5	7.0
Depreciation transfer	0.5	0.0	0.0	-0.5	0.0	0.0	0.0
Dividend distribution	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financing with parent	7.0	0.0	0.0	0.0	7.0	0.0	7.0
Balance as of March 31, 2011	**409.5**	**-3.2**	**0.0**	**13.4**	**419.7**	**12.2**	**431.9**

The notes 1 to 6 are an integral part of the Condensed Interim Combined Financial Statements.

Notes

(1) General information

These are the Condensed Interim Combined Financial Statements of Carbon Black, which is a separate business line of Evonik Industries AG (Evonik). Evonik is an international corporation based in Germany operating in the Chemicals, Energy and Real Estate Business Areas. Evonik's registered office is Rellinghauser Straße 1-11, Essen (Germany), and it is registered in the Commercial Register at Essen District Court under HRB No. 19474. Evonik prepares consolidated financial statements in accordance with IFRS, as adopted by the EU ("IFRS"), Evonik operations also include the Carbon Black business and in early September 2010, Evonik communicated its intention to divest its Carbon Black business. Evonik Industries AG is a subsidiary of RAG-Stiftung, Essen (Germany).

The business line Carbon Black is a global producer of carbon blacks used for the production of speciality pigments and the reinforcement of rubber. The filler systems based on carbon blacks, precipitated silica and rubber silanes are mainly sold to customers in the rubber and tire industries. Pigments are supplied to the coatings, colorants and printing industries.

Carbon Black's asset base consists of 16 plants, located in Europe, NAFTA, Brazil, Korea, China and South Africa. Through its global operations, the business serves consumers of specialty pigments as well as international tire and mechanical rubber goods customers across the whole spectrum of different carbon black qualities and grades. The products are sold via integrated sales functions as well as via worldwide Evonik Chemicals sales offices. Integrated sales functions with key account managers and customer service representatives are operated in USA, Brazil, China, Korea and Germany. In addition, Carbon Black markets its products via worldwide Evonik sales offices and representation offices. These offices are part of the Evonik Chemicals distribution network and regarded as third parties by Carbon Black since these sales offices are not controlled nor managed by Carbon Black.

The Carbon Black business is not a group as defined in IAS 27 and, accordingly, has historically not prepared consolidated financial statements for internal or external reporting purposes. Carbon Black has been a separate business line and was reported as part of the business unit Inorganic Materials. The Carbon Black business was comprised of 13 legal entities as of March 31, 2011; however, three of these entities have historically been part of other legal entities of the Evonik Group which also conduct other business activities. These three entities have been legally carved out on July 1, 2010 (for further information see note "(2.1), Principles of combination"). For all periods presented in the Condensed Interim Combined Financial Statements the Carbon Black business was under common control of Evonik Degussa GmbH and managed by Carbon Black's management which is based in Hanau, Germany.

These Condensed Interim Combined Financial Statements were authorised for issuance by the management board of Evonik Degussa GmbH on May 20, 2011.

(2) Basis of preparation of the Condensed Interim Combined Financial Statements

(2.1) Principles of combination

Carve-out approach

The Condensed Interim Combined Financial Statements have been prepared on a "carve-out" basis from Evonik's consolidated financial statements using the historical results from operations, assets and liabilities attributable to the Carbon Black business and include allocations of income, expenses, assets, and liabilities from Evonik. The Carbon Black business has historically been managed as a single economic entity and does not have significant recurring inter-businesses relationships, other than financing and the utilisation of Evonik's sales functions, interdependencies or common facilities with other Evonik businesses that are not subject to the divestment transaction.

The Carbon Black business consists of 13 legal entities as of March 31, 2011. For these entities, which solely conducted activities related to the Carbon Black business, historical financial information with regards to assets and liabilities as well as income and expenses directly attributable to the Carbon Black business was readily available in the form of reporting packages used as part of the preparation of the Evonik consolidated financial statements.

Until June 30, 2010, the Carbon Black business was conducted by 10 legal entities solely operating in the Carbon Black business and by three legal entities which also operated in other business lines of Evonik ('Carve-out Entities'). For these three entities, assets and liabilities as well as income and expenses attributable to or incurred by the Carbon Black business were specifically identified and allocated on the basis of historical financial information related to these entities used for the preparation of the Evonik consolidated financial statements. The approach for the necessary carving-out procedures as well as with regards to allocation is described further below.

The Condensed Interim Combined Financial Statements include only those assets, liabilities, income, expenses and cash flows that are directly attributable to the Carbon Black business. Evonik entities and operations which are not related to the Carbon Black business are not included in the Condensed Interim Combined Financial Statements. This is also the case for all entities of the Evonik Chemicals worldwide sales network. These entities operate as distributors and agents for the Carbon Black business as well as for other businesses within Evonik's Chemicals group; however, as the Carbon Black business does not control or manage these sales entities, they were not included in the Condensed Interim Combined Financial Statements. In addition, certain Evonik entities with holding company functions for the Carbon Black business but without operating Carbon Black business were also not reflected in the Condensed Interim Combined Financial Statements on the basis that these entities were of minor significance and did not account for any operating activities of the Carbon Black business.

Allocation of working capital assets and liabilities, income and expenses for the Carve-out Entities was attributed based on profit centre and cost centre coding, as well as applying allocation keys that were used for regular reporting and approved by management.

In order to prepare the Condensed Interim Combined Financial Statements, the historical financial information from the reporting packages of the Carbon Black legal entities were first aggregated with the separately derived historical financial information of the Carve-out Entities. Subsequently, receivables and liabilities, income and expenses and profits and losses resulting from transactions between the combined entities were eliminated.

Finally, in order to present the Condensed Interim Combined Financial Statements, additional carve-out adjustments have been made to allocate specific assets and liabilities as well as income and expenses to Carbon Black business as further described below and in the notes to the Combined Financial Statements as of and for the years ended December 31, 2010, 2009 and 2008. Such carve-out adjustments include mainly corporate centre charges for Evonik group overhead services, the pushdown of goodwill and asset step-ups from the acquisition of the former Degussa group by RAG Beteiligungs-GmbH, the predecessor of Evonik Industries AG.

Management considers that such allocations have been made on a reasonable basis, but are not necessarily indicative of the cost that would have been incurred if Carbon Black were a stand-alone entity.

Additionally, for purposes of these Condensed Interim Combined Financial Statements, pensions and other postretirement plans and their respective portion of the plan liabilities, assets, benefits, interest and service costs, have generally been included or allocated to the Carbon Black business using actuarial valuations and techniques which in general take into account the active, inactive and retired employees that historically participated in the respective plans, except for Germany where liabilities and pension costs relating to retired or inactive employees were excluded.

Furthermore, for purposes of the Condensed Interim Combined Financial Statements, income taxes have been prepared as if the legal entities and Carve-out Entities were separate tax-paying entities i.e., in accordance with the separate tax return approach.

The Carbon Black business has historically participated in Evonik's cash management and financing system. Accordingly, aside of cash and cash equivalent balances held directly with third party banks, the Carbon Black legal entities participated directly in cash pooling arrangements and inter-company loan agreements. The resulting balances were recorded as related parties current receivables or current liabilities depending on the cash pooling or loan position. Aside of these arrangements between certain Carbon Black and Evonik group entities, no parent level debt at Evonik was directly attributable to the Carbon Black business and, accordingly, no parent level debt or interest expense has been allocated to the Condensed Interim Combined Financial Statements. Interest earned and interest payable on related party loans and cash pooling arrangements were historically settled through the cash pooling arrangement and based on market interest rates.

Invested Equity of the Carbon Black business represents Evonik's residual claim on the Carbon Black business and includes allocations from Evonik, settlement of intercompany transactions with Evonik and the business' cumulative operating results. Year-on-year changes in Invested Equity resulting from carve-out adjustments or financing transactions are shown as “Net financing with parent”.

In these Condensed Interim Combined Financial Statements, effects from the purchase price allocation relating to the Evonik group’s acquisition of the former Degussa group by RAG Beteiligungs-GmbH, the predecessor of

Evonik Industries AG, in 2003 and 2004 are recognised. Goodwill arising from that acquisition which relates to the business line Carbon Black is allocated based on the proportion of the business line Carbon Black's enterprise value compared to the enterprise value of the Evonik Business Unit 'Inorganic Materials', which is now an operating segment of the Evonik Group.

The intangible assets and other assets and liabilities recognised in the purchase price allocation resulting from this acquisition which relate to the Carbon Black business are reflected in the Condensed Interim Combined Financial Statements based on their carrying amounts in the consolidated financial statements of Evonik. The resulting annual amortisation is reflected in the Combined Income Statement.

The Condensed Interim Combined Financial Statements include amounts allocated for certain corporate overhead functions and infrastructure services provided by the Evonik group to the Carbon Black business. Such amounts primarily consist of corporate centre charges and costs of the shared service centre allocated to the Carbon Black business on a lump-sum basis.

Corporate centre charges primarily consist of head office services, such as group management board support, corporate marketing, corporate human resources, corporate environmental protection, health and safety, corporate law, corporate treasury and corporate accounting. According to Evonik group accounting, such costs are not normally assigned to business lines or business units, but charged to business areas, which are classified Evonik reportable segments, on a contractual basis. However, for the preparation of the Condensed Interim Combined Financial Statements, such costs were allocated to the business line Carbon Black using the historically applied sales-based key. The costs are deemed settled through Invested Equity. Management considers that such allocation has been made on a reasonable basis, but is not necessarily indicative of the costs that would have been incurred if the Carbon Black business was a stand-alone entity.

Costs for accounting, legal and tax services, information technology, procurement, communication and human resources are included in the Condensed Interim Combined Financial Statements based on the amounts charged by the shared service centre of the Evonik group. The services of the shared service centre are governed by service contracts and management believes that the charges for these services are comparable to the rates charged by third-party providers.

For the preparation of these Condensed Interim Combined Financial Statements it was necessary to make assumptions and estimates for carve-out adjustments that have an impact on assets and liabilities as well as on income and expenses. Accordingly, these Condensed Interim Combined Financial Statements do not necessarily reflect the financial position and performance that would have been presented if the Carbon Black business had already existed as an independent group during the periods presented and if the transactions between the Carbon Black business and other Evonik group companies had been carried out between independent companies. Because the Carbon Black business was not an independent group in the past, these Condensed Interim Combined Financial Statements are not necessarily indicative of the future development of the business. In addition to industry and market conditions, Carbon Black's future profitability and cash flows depend on its ability to receive financing. Historically, financing has been made available to the Carbon Black business through Evonik.

The accounting policies that are specific for the preparation of these Condensed Interim Combined Financial Statements (overhead and intercompany charges, goodwill from the acquisition of the former Degussa Group, presentation of “Invested Equity”, deferred and current taxes, pensions) are also described in detail in the respective paragraphs of note "(2.7) accounting policies" in the annual Combined Financial Statements as of and for the year ended December 31, 2010.

(2.2) Scope of consolidation / Combination

As of March 31, 2011, the Condensed Interim Combined Financial Statements comprise the following legal entities:

Evonik Carbon Black GmbH, Germany
Evonik Carbon Black Brasil Ltda., Brazil
Evonik Carbon Black Italia s.r.l., Italy
Evonik Carbon Black Nederland B.V., the Netherlands
Evonik Carbon Black Korea Co. Ltd., Korea
Evonik Cofrablack S.A.S., France
Evonik Carbogal S.A., Portugal
Evonik Carbon Black Polska Sp.z.o.o., Poland
Evonik Norcarb A.B., Sweden
Evonik Degussa Carbons Inc, USA
Evonik Carbon Black, LLC, USA (former Degussa Engineered Carbons LP, USA ("DEC"))
Qingdao Evonik Chemicals Co. Ltd., China
Algorax (Pty.) Ltd., South Africa

The scope of consolidation has not changed over the periods presented, however, prior to the legal carve-out on July 1, 2010, Evonik Carbon Black GmbH, Germany, Evonik Carbon Black Brasil Ltda., Brazil, and Evonik Carbon Black Italia s.r.l., Italy, did not exist as separate legal entities but were part of:

Evonik Degussa GmbH, Germany
Evonik Degussa Brasil Ltda., Brazil
Evonik Degussa Italia S.p.A., Italy.

Therefore historical carve-out financial information has been prepared to identify assets and liabilities as well as income and expenses relating to Carbon Black business based on the approach described in this note.

In addition to the 13 entities listed above, two further entities are included as part of these Condensed Interim Combined Financial Statements:

Kommanditgesellschaft Deutsche Gasrußwerke GmbH & Co. KG (in which the Carbon Black business holds a 54.35 percentage stake, but not a majority of voting rights) is accounted for using the equity method, because Carbon Black has significant influence.

Deutsche Gasrußwerke GmbH is recognised in accordance with IAS 39 Financial Instruments: Recognition and Measurement, because Carbon Black, although holding a share of 50 percent, does not have significant influence on the financial position, profits and cash flows of the business of Deutsche Gasrußwerke GmbH, and as such not applied accounting based on equity. It is accounted for at cost because there is no quoted market price and the fair value cannot be measured reliable.

(2.3) Compliance with IFRS

These Condensed Interim Combined Financial Statements for the three month ended March 31, 2011 have been prepared in compliance with IAS 34.

The Condensed Interim Combined Financial Statements do not include all the information and disclosures required in the annual Combined Financial Statements, and should be read in conjunction with Carbon Black's Annual Combined Financial Statements as of December 31, 2010, which have been prepared in accordance with IFRSs as adopted by the European Union.

(2.4) Presentation of the financial statements

The Condensed Interim Combined Financial Statements cover the three months from January 1 to March 31, 2011 and are presented in Euros. All amounts are stated in millions of Euros (€ million) except where otherwise indicated.

(2.5) Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Taxes on income in the interim period have been calculated considering IAS 34.30.

Exceptional items are disclosed and described separately in the Condensed Interim Combined Financial Statements where it is necessary to do so to provide further understanding of the financial perform of the Carbon Black business. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

(2.6) Newly issued IFRS

Accounting standards applied for the first time

The IASB has revised or issued a number of standards and interpretations. These have been officially adopted into European law by the European Union and became mandatory for the first time.

The Company applies for the first time the amendments to previous IAS 34 which became effective for annual periods beginning on 1 January 2011. The amendments were intended to clarify the disclosure requirements of IAS 34.

Accounting standards applied for the first time in 2010, which do not have a significant or no impact on Carbon Black's Combined Financial Statements, include:

- Amendments to IFRIC 14 "IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction",
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments",
- Revised Version of IFRS 1 "First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures".

In October 2009, the IASB published the revised standard IAS 32 "Financial Instruments: Presentation". If a company issues subscription rights, options or warrants to acquire a fixed number of its shares in a currency other than its functional currency, such rights previously had to be accounted for as financial liabilities. In the future such rights, as far as they are issued for a fixed amount of any currency, will be recognised as equity instruments if the company offers them pro rata to all existing holders of the same class of its equity. The revised standard is applicable retrospectively for fiscal years beginning on or after February 1, 2010. Earlier application is permitted. The revised IAS 32 "Financial Instruments: Presentation" has no impact on the Combined Financial Statements.

In November 2009, the IASB published the revised standard IAS 24 "Related Party Disclosures". These revisions include simplifications for government-related entities and improve the definition of a related party. The revised standard is applicable for fiscal years beginning on or after January 1, 2011. Earlier application is permitted. There is no impact on Carbon Black's Combined Financial Statements.

In May 2010, as part of its third annual improvements process, the IASB published "Improvements to IFRSs (2010)" containing amendments to a variety of IFRSs. The project makes minor, non-urgent but necessary amendments to existing standards, which are not addressed in another, major project. The amended standards are generally applicable for fiscal years starting on or after January 1, 2011. Earlier application is permitted. The amendments have had no effect on the financial.

Accounting standards that are not yet mandatory

The IASB adopted further accounting standards up to December 31, 2010, which did not become mandatory in the fiscal year or have not yet been officially adopted by the European Union. These new accounting standards will probably be applied for the first time – as far as they are relevant for the Combined Financial Statements – from the date on which they become effective.

In October 2010, the IASB published amendments to IFRS 7 "Financial Instruments: Disclosures". The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amended standard is generally applicable for fiscal years starting on or after July 1, 2011. Earlier application is permitted. The impact on Carbon Black's Combined Financial Statements is currently being examined.

In November 2009, the IASB published the revised standard IFRS 9 "Financial Instruments". This standard is part of a project for a new standard to replace IAS 39 "Financial Instruments: Recognition and Measurement". It is concerned exclusively with the classification and measurement of financial assets. IFRS 9 replaces the former measurement categories with the categories "at amortised cost" or "at fair value". The decision on whether to carry an instrument "at amortised cost" depends on the one hand on the entity's business model and on the other hand on the contractually agreed cash flows from the financial instrument. Instruments that do not meet the criteria for measurement "at amortised cost" are recognised in income "at fair value". Measurement of assets at fair value through other comprehensive income is permitted for selected equity instruments.

In October 2010, the IASB amended IFRS 9 "Financial Instruments" to include guidance regarding financial liabilities. The requirements retain the existing amortised cost measurement basis for most financial liabilities. New requirements apply where an entity elects to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than in profit or loss. The amended standard is generally applicable for fiscal years starting on or after January 1, 2013. As the project is conducted in three phases and is not yet endorsed, the impact on Carbon Black's Combined Financial Statements cannot yet be finally determined.

In December 2010, the IASB published amendments to IAS 12 "Income Taxes". The amendments require an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amended standards are generally retrospectively applicable for fiscal years starting on or after January 1, 2012. Earlier application is permitted. The amendments are not relevant for Carbon Black's Combined Financial Statements.

(2.7) Currency translation

Foreign currency transactions are measured at the exchange rate at the date of initial recognition. Any gains or losses resulting from the valuation of monetary assets and liabilities in foreign currencies as of the reporting date are recognised in other operating income or other operating expenses.

The functional currency method is used to translate the financial statements of foreign entities. In the Condensed Interim Combined Financial Statements, the balance sheets of all foreign entities are translated from the functional currency of the company into Euros at closing rates on the reporting date, since they conduct their business independently in their functional currency. As an asset pertaining to an economically autonomous foreign operation, goodwill carried in a currency other than Euros is translated at the closing rate. Income and expense items are translated at average exchange rates for the year. The average annual exchange rates comprise the mean of the exchange rates at month-end over the past 13 months. Translation differences compared to the prior year and translation differences between the income statement and balance sheet are recognised in other comprehensive income.

The following exchange rates were used for currency translation:

	Quarterly average exchange rates		Closing rates	
€1 corresponds to	2011	2010	March 31, 2011	Dec. 31, 2010
Brazilian real (BRL)	2.28	2.34	2.31	2.22
Chinese renminbi yuan (CNY)	9.06	9.00	9.30	8.82
South Korean won (KRW)	1,536.37	1,540.28	1,554.51	1,499.06
Polish zloty (PLN)	3.97	4.01	4.01	3.98
Swedish crown (SEK)	8.88	9.55	8.93	8.97
US dollar (USD)	1.38	1.33	1.42	1.34
South African rand (ZAR)	9.500	9.735	9.651	8.863

(3) Discussion of assumptions and estimation uncertainties

The preparation of the Condensed Interim Combined Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results may differ from management's estimates.

Estimates and assumptions are reviewed on an ongoing basis and changes in estimates and assumptions are recognised in the period in which the changes occur and in future periods impacted by the changes. In addition to the carve-out assumptions which impact the presentation of the Condensed Interim Combined Financial Statements, the estimates and assumptions that constitute a significant risk that the carrying amounts of assets and liabilities may have to be adjusted within the next fiscal year were discussed in the annual Combined Financial Statements as of and for the year ended December 31, 2010.

In preparing these Condensed Interim Combined Financial Statements, the significant judgements made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Combined Financial Statements for the year ended December 31, 2010, with the exception of changes in estimates that are required in determining the provision for income taxes.

(4) Notes to the income statement and to the balance sheet

(4.1) Sales

Total sales by region are divided by the location of customer. They comprise:

in € million	Q1 2011	Q1 2010
North America	74.0	63.3
South Korea	50.3	44.3
Europe (excl. Germany, Spain, Italy, France)	47.1	43.8
Germany	43.7	36.7
China	22.6	19.2
South Africa	18.5	14.0
Spain	14.1	10.4
Italy	13.2	10.6
Brazil	13.1	10.0
France	10.2	7.8
Other countries	32.1	20.1
	338.9	280.2

Sales increases in Q1 2011 are mainly due to increases in sales volumes as a result of continued increases in demand in particular in the United States and the European countries. In addition, sales prices increased as a result of increases in carbon black oil prices being passed through. The increased demand and sales prices also resulted in increases in inventory and trade receivables as of March 31, 2011. Trade accounts payable decreased as of March 31, 2011 as a result of timing differences in the delivery of feedstock, due to irregular receipt of carbon black oil shipments.

(4.2) Other operating income

Other operating income increased in Q1 2011primarily due to a €2.5 million increase in gains on the measurement of derivatives and a €1.2 million increase in other income.

(4.3) Other operating expenses

Other operating expenses increased in Q1 2011 primarily due to a € 1.4 million increase in losses on currency translation of monetary assets and liabilities, a €1.0 million increase in losses on the measurement of derivatives and a €1.1 million charge for project costs related to the separation of the Carbon Black business from Evonik.

(4.4) Interest expense

Interest expense increased in Q1 2011 primarily due to an increase in interest-bearing liabilities, including bank debt, loans from Evonik and cash-pooling liabilities during financial year 2010. This increase in financial liabilities and resulting higher interest expense are primarily due to the carve-out of Evonik's carbon black business into separate legal entities in Germany, Brazil and Italy in the middle of 2010. As a result, intercompany loans and cash-pooling liabilities were brought into the new legal entities. Prior to the legal carve-outs intercompany financing at the former Carve-out Entities in Germany, Brazil and Italy could not be clearly attributed to the Carbon Black business. Therefore, no such intercompany debts were allocated in the Condensed Interim Combined Financial Statements to financial liabilities prior to legal carve-outs. Instead, the residual amount between clearly attributable assets and liabilities was shown as “Invested Equity”. In total, these newly attributable loans to the Carbon Black business resulted in an increase of financial liabilities by € 102 million as of December 31, 2010 and “Invested Equity” was reduced correspondingly (reflected in “Net financing with parent” in the combined statement of changes in invested equity).

(4.5) Income taxes

The income tax expenses (income) consist of the following portions:

in € million	Q1 2011	Q1 2010
Current income taxes	-7.2	-1.0
(thereof for prior periods)	0.2	0.5
Deferred income taxes	0.6	-2.0
(thereof for prior periods)	0.0	-0.1
	-6.6	-3.0

The other income tax liabilities increased as of 31 March 2011 to € 21.6 million due to current tax liabilities for the first quarter 2011.

(4.6) Invested equity

The difference between assets and liabilities, as allocated to the Carbon Black business according to the carve-out rules described above, is presented as “Invested Equity”. As equity is defined in Framework 49 as the residual interest in the assets of an entity after deducting all liabilities, the residual of all assets and liabilities allocated to the Carbon Black business was regarded as equity, which represents the net investment in the Carbon Black business. Therefore, such equity is stated as “Invested Equity” in the Condensed Interim Combined Financial Statements. The resulting capital structure presented for the Carbon Black business in these Condensed Interim Combined Financial Statements is not indicative for the capital structure of Carbon Black business if it had been a stand-alone entity during the financial reporting periods presented.

Accumulated other comprehensive income contains gains and losses that are not included in the income statement. The reserve for unrealised gains and losses on hedging instruments comprises changes in the fair value of the effective portion of cash flow hedges.

The reserve for currency translation adjustment comprises differences arising from the translation of foreign financial statements.

The changes in accumulated other comprehensive income (OCI) were as follows:

in € million	Gains/losses on heding instruments	Currency translation adjustment	Total
As of January 1, 2010	**0.3**	**−9.5**	**−9.2**
Other comprehensive income as in the statement of comprehensive income	**0.4**	**−0.5**	**−0.1**
Gains/losses included in OCI	0.6	–	0.6
Deferred taxes thereon	−0.2	–	–
Currency translation adjustment	–	−0.5	−0.5
Other changes	**0.0**	**0.0**	**0.0**
As of March 31, 2010	**0.7**	**−10.0**	**−9.3**
As of January, 2011	**0.3**	**2.0**	**2.3**
Other comprehensive income as in the statement of comprehensive income	**−0.3**	**−5.2**	**−5.5**
Gains/losses included in OCI	−0.4	–	−0.4
Deferred taxes thereon	0.1	–	0.1
Currency translation adjustment	–	−5.2	−5.2
Other changes	**0.0**	**0.0**	**0.0**
As of March 31, 2011	**0.0**	**−3.2**	**−3.2**

The changes in accumulated other comprehensive income (OCI) relating to non-controlling interests were as follows:

in € million	Gains/losses on heding instruments	Currency translation adjustment	Total
As of January 1, 2010	0.0	-1.0	-1.0
Other comprehensive income as in the statement of comprehensive income	0.0	0.7	0.7
Gains/losses included in OCI	–	–	–
Deferred taxes thereon	–	–	–
Currency translation adjustment	–	0.7	0.7
Other changes	0.0	0.0	0.0
As of March 31, 2010	0.0	-0.3	-0.3
As of January 1, 2011	0.0	0.2	0.2
Other comprehensive income as in the statement of comprehensive income	0.0	-0.7	-0.7
Gains/losses included in OCI	–	–	–
Deferred taxes thereon	–	–	–
Currency translation adjustment	–	-0.7	-0.7
Other changes	0.0	0.0	0.0
As of March 31, 2011	0.0	-0.5	-0.5

(5) Notes to the cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Carbon Black business in the three reporting periods. It is broken down into cash flows from operating, investing and financing activities and reflects cash flows from continuing operations as the Carbon Black business has no discontinued operations for the three reporting periods. Interest paid and interest and dividends received are included in operating activities while dividends paid are assigned to financing activities.

(5.1) Cash flow from operating activities

The cash flow from operating activities is calculated using the indirect method. Income before the financial result and income taxes from the continuing operations is adjusted for the effects on non-cash income and expenses and items that are allocated to investing or financing activities. Certain other changes in amounts shown on the balance sheet are calculated and added to the result.

(5.2) Cash flow from investing activities

The cash flow from investing activities includes cash inflows and outflows from investments and divestments of intangible assets, property, plant and equipment.

(5.3) Cash and cash equivalents

The cash and cash equivalents of € 16.8 million (31 December 2010: € 28.1 million) comprise the liquid assets of the continuing operations.

(6) Other disclosures

(6.1) Additional information on key performance indicators

To provide additional financial information the Carbon Black business can be split in the following two Product Lines:

Pigment Black

The Product Line Pigment Black comprises the production and sales of highly specialised carbon blacks with specific characteristics such as highly durable pigmentation, UV protection and conductivity. Pigment Black is primarily sold to the coatings, plastics and printing ink industries.

Rubber Black

The Product Line Rubber Black comprises the production and sale of carbon blacks used for reinforcement properties in tires and mechanical rubber goods.

in € million	Pigment Black Q1 2011	Rubber Black Q1 2011	Pigment Black Q1 2010	Rubber Black Q1 2010
Sales	99.9	239.0	81.8	198.4
Gross profit	38.4	31.9	28.2	28.2
EBITDA	27.7	13.7	21.4	7.6

The three key performance indicators (KPI) - "Sales", "Gross Profit" and "EBITDA" - are used by management to present certain additional information that may be helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. The allocation of income and expenses to the Product Lines is based on agreed procedures. Sales are allocated to Product Lines based on invoices. The expense allocation used by each legal entity of the Carbon Black Business differs depending on the respective peculiarities of such legal entity. In general, expenses are allocated to Product Lines based on cost centre and profit centre accounting. Some entities also apply allocation keys primarily based on sales or volume for the cost allocation to Product Lines.

The KPIs per Product Line do not include income and expenses that are considered by management to (a) be extraordinary or non-recurring, (b) refer to corporate center charges or (c) result from the purchase price allocation/asset push-down from the acquisition of the former Degussa group by RAG Beteiligungs-GmbH, the predecessor of Evonik. Therefore these costs are not allocated to the Product Lines. These costs primarily consist of the following:

(a) Costs related to Evonik's divestment of the Carbon Black business were considered extraordinary and non-recurring. This expense was not allocated to the "Gross Profit" and "EBITDA" KPIs of the Product Lines. In Q1 2011, this cost amounted to € 1.1million (Q1 2010: € 0.0 million)

(b) Corporate center charges of € 3.5 million in Q1 2011 (Q1 2010: € 3.9 million) were not allocated to the "EBITDA" KPI of the Product Lines.
(c) The effect of the depreciation of the asset push-down from the acquisition of the former Degussa group of € 2.0 million in Q1 2011 (Q1 2010: € 2.2 million) was not allocated to the "Gross Profit" KPI of the Product Lines.

The KPIs are defined as follows:

Sales

Sales are defined in accordance with IAS 18.

Gross profit

Gross profit is defined as “gross profit on sales”, which is determined as “sales” minus “cost of sales”.

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortisation) is defined as “income before financial result and income taxes, continuing operations” adding back “depreciation, amortisation, impairment losses / reversal of impairment losses on non-current assets”.

(6.2) Events after the reporting date

On April 16, 2011 a transaction between Evonik Degussa GmbH and affiliates of Rhône Capital LLC has been signed with the intent to sell the Carbon Black business to affiliates of Rhône Capital LLC. Closing is intended to be in summer 2011. The transaction includes all Carbon Black entities except for Evonik Carbon Black Netherland B.V., Netherlands, and Evonik Degussa Carbons Inc., USA. On May 2, 2011 signing has been approved by Evonik Industries supervisory board, closing depends – besides other requirements – on the approval of the anti-trust authorities.

Essen, May 20, 2011

Evonik Degussa GmbH

/s/ Thomas Haeberle	/s/ Thomas Hermann
Dr. Thomas Haeberle	Thomas Hermann

Evonik Carbon Black

Combined financial statements

as of and for the years ended
December 31, 2010,
December 31, 2009 and
December 31, 2008

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Independent auditor's report

Independent Auditor's Report

To Evonik Degussa GmbH, Essen

We have audited the accompanying combined financial statements prepared by Evonik Degussa GmbH, Essen, comprising the combined balance sheet, the combined income statement, the combined statement of comprehensive income, the combined statement of changes in invested equity and the combined statement of cash flows as of and for the years ended December 31, 2010, 2009 and 2008, and the notes to the combined financial statements, for the business line "Carbon Black" as described in Note 2.1 and 2.2 (the "Business Line").

Management's Responsibility for the combined financial statements

Management of Evonik Degussa GmbH is responsible for the preparation and fair presentation of these combined financial statements in accordance with the International Financial Reporting Standards, as adopted by the EU, under consideration of the principles for determining which assets and liabilities, income and expenses as well as cash flows are to be assigned to the Business Line as described in Note 2.1 and 2.2. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Business Line's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Business Line's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the assignment of assets and liabilities, income and expenses as well as cash flows to the Business Line under consideration of the principles described in Note 2.1 and 2.2 and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the accompanying combined financial statements present fairly the financial position of the Business Line as of December 31, 2010, 2009 and 2008, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as adopted by the EU, under consideration of the principles for determining which assets and liabilities, income and expenses as well as cash flows are to be assigned to the Business Line as described in Note 2.1 and 2.2.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that, as described in Note 2.1 and 2.2, the Business Line has not operated as a separate group of entities. These combined financial statements are therefore not necessarily indicative of results that would have occurred if the Business Line had been a separate stand-alone group of entities during the years presented or of future results of the Business Line.

Düsseldorf, 13 May 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

/s/ Eckhard Sprinkmeier	/s/ Christoph Gruss
Eckhard Sprinkmeier Wirtschaftsprüfer	Christoph Gruss Wirtschaftsprüfer

Evonik Carbon Black

Combined income statement
For the years ended 31 December 2010, 2009 and 2008. Amounts in million of EUR

	Note	2010	2009	2008
Sales	4.1	1,186.2	839.5	1,186.0
Cost of sales		-942.2	-714.7	-1,003.7
Gross profit on sales		**244.0**	**124.8**	**182.3**
Selling expenses		-103.5	-90.7	-117.4
Research and development expenses		-10.4	-11.5	-12.3
General administrative expenses		-48.4	-42.3	-54.2
Other operating income	4.2	18.3	17.9	36.4
Income from reversal of impairments on non-current assets	4.3	19.0	0.0	0.0
Other operating expenses	4.4	-24.6	-46.5	-42.3
Impairment loss on non-current assets	4.5	-6.0	-108.9	-90.9
Income before financial result and income taxes, continuing operations		**88.4**	**-157.2**	**-98.4**
Interest income	4.6	0.8	0.5	1.0
Interest expense	4.6	-17.2	-12.0	-15.1
Result from investments recognized at equity	4.7	0.4	0.4	0.4
Other financial income		0.0	0.0	0.0
Financial result		**-16.0**	**-11.1**	**-13.7**
Profit / Loss before taxes, continuing operations		**72.4**	**-168.3**	**-112.1**
Income taxes	4.8	-29.1	4.6	8.7
Profit / Loss after taxes, continuing operations		**43.3**	**-163.7**	**-103.4**
Income after taxes, discontinued operations		0.0	0.0	0.0
Profit / Loss after taxes		**43.3**	**-163.7**	**-103.4**
thereof attributable to				
Non-controlling interests		1.8	0.1	-8.1
Equity holders of the parent (net income)		41.5	-163.8	-95.3

The notes 1 to 7 are an integral part of the Combined Financial Statements.

Evonik Carbon Black

Combined statement of comprehensive income
For the years ended 31 December 2010, 2009 and 2008. Amounts in million of EUR

	Note	2010	2009	2008
Profit / Loss after taxes		**43.3**	**-163.7**	**-103.4**
thereof attributable to				
Non-controlling interests		1.8	0.1	-8.1
Equity holders of the parent		41.5	-163.8	-95.3
Unrealised gains/losses on hedging instruments	5.7	0.0	26.4	-26.1
Income Tax effect	5.7	0.0	-7.5	7.4
Other comprehensive income		**0.0**	**18.9**	**-18.7**
Currency translation adjustment	5.7	12.7	24.0	-35.0
Other comprehensive income for the year net of tax		**12.7**	**42.9**	**-53.7**
thereof attributable to				
Non-controlling interests	5.7	1.2	0.1	0.6
Equity holders of the parent	5.7	11.5	42.8	-54.3
Total comprehensive income		**56.0**	**-120.8**	**-157.1**
thereof attributable to				
Non-controlling interests		3.0	0.2	-7.5
Equity holders of the parent		53.0	-121.0	-149.6

The notes 1 to 7 are an integral part of the Combined Financial Statements.

Evonik Carbon Black

Combined balance sheet
As of 31 December 2010, 2009 and 2008. Amounts in million of EUR

	Note	31 Dec 2010	31 Dec 2009	31 Dec 2008
Intangible assets	5.1	168.2	180.1	297.8
Property, plant and equipment	5.2	368.0	338.4	342.6
Investments recognised at equity	5.3	4.2	4.2	4.1
Financial assets	5.3	1.7	1.6	1.6
Deferred tax assets	5.12	11.5	24.5	27.8
Other income tax assets	5.12	0.0	0.0	0.1
Other receivables	5.5	1.1	6.8	4.7
Non-current assets		**554.7**	**555.6**	**678.7**
Inventories	5.4	168.4	146.0	173.3
Other income tax assets	5.12	0.6	0.5	1.1
Trade accounts receivable	5.5	251.1	187.0	208.0
Other receivables	5.5	26.1	13.7	15.6
Financial assets	5.3	55.7	22.0	23.3
Cash and cash equivalents	5.6	28.1	10.2	11.3
Current assets		**530.0**	**379.4**	**432.6**
Total assets		**1,084.7**	**935.0**	**1,111.3**
Equity attributable to equity holders of the parent	5.7	405.2	456.9	632.9
Equity attributable to non-controlling interests	5.7	12.7	9.6	10.2
Total invested equity		**417.9**	**466.5**	**643.1**
Provisions for pensions and other post-employment benefits	5.8	26.6	28.6	27.7
Other provisions	5.9	25.4	25.5	21.8
Deferred tax liabilities	5.12	37.6	37.3	41.6
Other income tax liabilities	5.12	0.0	0.7	1.0
Financial liabilities	5.10	51.4	22.0	10.2
Other payables	5.11	0.0	0.1	0.0
Non-current liabilities		**141.0**	**114.2**	**102.3**
Other Provisions	5.9	30.8	34.0	17.7
Other income tax liabilities	5.12	16.2	2.3	3.8
Financial liabilities	5.10	334.3	215.2	274.0
Trade accounts payable	5.11	129.8	92.3	60.1
Other payables	5.11	14.7	10.5	10.3
Current liabilities		**525.8**	**354.3**	**365.9**
Total invested equity and liabilities		**1,084.7**	**935.0**	**1,111.3**

The notes 1 to 7 are an integral part of the Combined Financial Statements.

Evonik Carbon Black

Combined statement of cash flows
For the years ended 31 December 2010, 2009 and 2008. Amounts in million of EUR

	Note	2010	2009	2008
Income before financial result and income taxes, continuing operations		88.4	-157.2	-98.4
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current		34.5	156.0	153.6
Gains/losses on disposal of non-current assets		0.4	1.2	2.9
Change in inventories		-22.5	27.4	-14.6
Change in trade accounts receivable		-64.1	21.0	21.0
Change in trade accounts payable and current advance payments received from customers		37.5	32.3	-45.4
Change in provisions for pensions and other post-employment benefits		-2.5	0.6	-1.5
Change in other provisions		-4.2	19.8	-6.3
Change in miscellaneous assets/liabilities		-3.9	-4.9	-34.4
Cash outflows for interest		-13.4	-10.3	-14.7
Cash inflows from interest		0.6	0.4	1.5
Cash outflows for income taxes		-3.3	-4.7	-4.6
Cash flow from operating activities	6.1	**47.5**	**81.6**	**-40.9**
Cash outflows for investments in intangible assets, property, plant and equipment		-29.3	-20.5	-38.6
Cash inflows from divestments of intangible assets, property, plant and equipment		0.7	0.8	0.0
Cash flow from investing activities	6.2	**-28.6**	**-19.7**	**-38.6**
Cash outflows for dividends		-11.1	-13.4	-7.7
Cash inflows from the addition of financial liabilities		127.4	42.7	113.6
Cash outlows for repayment of financial liabilities		-25.4	-50.5	-42.4
Net financing with parent		-93.6	-42.3	24.3
Cash flow from financing activities		**-2.7**	**-63.5**	**87.8**
Change in cash and cash equivalents		**16.2**	**-1.6**	**8.3**
Cash and cash equivalents as of January 1		**10.2**	**11.3**	**4.3**
Change in cash and cash equivalents		16.2	-1.6	8.3
Changes in exchange rates and other changes in cash and cash equivalents		1.7	0.5	-1.3
Cash and cash equivalents as of December 31	6.3	**28.1**	**10.2**	**11.3**

The notes 1 to 7 are an integral part of the Combined Financial Statements.

Evonik Carbon Black

Combined statement of changes in invested equity
For the years ended 31 December 2010, 2009 and 2008. Amounts in million of EUR

	Attributable to equity holders of the parent						
	Owner investment by parent	Foreign currency translations	Hedge reserve	Asset revaluation reserve	Total attributable to equity holders of the parent	Non-controlling interests	Total invested equity
Balance as of January 1, 2008	**743.7**	**2.4**	**0.1**	**19.8**	**766.0**	**17.7**	**783.7**
Loss after taxes	-95.3	0.0	0.0	0.0	-95.3	-8.1	-103.4
Other comprehensive income	0.0	-35.6	-18.7	0.0	-54.3	0.6	-53.7
Total comprehensive income	-95.3	-35.6	-18.7	0.0	-149.6	-7.5	-157.1
Depreciation transfer	2.0	0.0	0.0	-2.0	0.0	0.0	0.0
Dividend distribution	-7.7	0.0	0.0	0.0	-7.7	0.0	-7.7
Net financing with parent	24.2	0.0	0.0	0.0	24.2	0.0	24.2
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2008	**666.9**	**-33.2**	**-18.6**	**17.8**	**632.9**	**10.2**	**643.1**
Profit / Loss after taxes	-163.8	0.0	0.0	0.0	-163.8	0.1	-163.7
Other comprehensive income	0.0	23.9	18.9	0.0	42.8	0.1	42.9
Total comprehensive income	-163.8	23.9	18.9	0.0	-121.0	0.2	-120.8
Depreciation transfer	2.0	0.0	0.0	-2.0	0.0	0.0	0.0
Dividend distribution	-13.4	0.0	0.0	0.0	-13.4	0.0	-13.4
Acquisition of shares attributable to non-controlling interest	0.9	-0.2	0.0	0.0	0.7	-0.7	0.0
Net financing with parent	-42.3	0.0	0.0	0.0	-42.3	0.0	-42.3
Balance as of December 31, 2009	**450.2**	**-9.5**	**0.3**	**15.9**	**456.9**	**9.6**	**466.5**
Profit / Loss after taxes	41.5	0.0	0.0	0.0	41.5	1.8	43.3
Other comprehensive income	0.0	11.5	0.0	0.0	11.5	1.2	12.7
Total comprehensive income	41.5	11.5	0.0	0.0	53.0	3.0	56.0
Depreciation transfer	2.0	0.0	0.0	-2.0	0.0	0.0	0.0
Dividend distribution	-11.1	0.0	0.0	0.0	-11.1	0.0	-11.1
Net financing with parent	-93.6	0.0	0.0	0.0	-93.6	0.0	-93.6
Balance as of December 31, 2010	**389.0**	**2.0**	**0.3**	**13.9**	**405.2**	**12.7**	**417.9**

The notes 1 to 7 are an integral part of the Combined Financial Statements.

Notes

(1) General information

These are the Combined Financial Statements of Carbon Black, which is a separate business line of Evonik Industries AG (Evonik). Evonik is an international corporation based in Germany operating in the Chemicals, Energy and Real Estate Business Areas. Evonik's registered office is Rellinghauser Straße 1-11, Essen (Germany), and it is registered in the Commercial Register at Essen District Court under HRB No. 19474. Evonik prepares consolidated financial statements in accordance with IFRS, as adopted by the EU ("IFRS"), Evonik operations also include the Carbon Black business and in early September 2010, Evonik communicated its intention to divest its Carbon Black business. Evonik Industries AG is a subsidiary of RAG-Stiftung, Essen (Germany).

The business line Carbon Black is a global producer of carbon blacks used for the production of speciality pigments and the reinforcement of rubber. The filler systems based on carbon blacks, precipitated silica and rubber silanes are mainly sold to customers in the rubber and tire industries. Pigments are supplied to the coatings, colorants and printing industries.

Carbon Black's asset base consists of 16 plants, located in Europe, NAFTA Brazil, Korea, China and South Africa. Through its global operations, the business serves consumers of specialty pigments as well as international tire and mechanical rubber goods customers across the whole spectrum of different carbon black qualities and grades. The products are sold via integrated sales functions as well as via worldwide Evonik Chemicals sales offices. Integrated sales functions with key account managers and customer service representatives are operated in USA, Brazil, China, Korea and Germany. In addition, Carbon Black markets its products via worldwide Evonik sales offices and representation offices. These offices are part of the Evonik Chemicals distribution network and regarded as third parties by Carbon Black since these sales offices are not controlled nor managed by Carbon Black.

The Carbon Black business is not a group as defined in IAS 27 and, accordingly, has historically not prepared consolidated financial statements for internal or external reporting purposes. Carbon Black has been a separate business line and was reported as part of the business unit Inorganic Materials. The Carbon Black business was comprised of 13 legal entities as of December 31, 2010; however, three of these entities have historically been part of other legal entities of the Evonik Group which also conduct other business activities. These three entities have been legally carved out on July 1, 2010 (for further information, see note "(2.1), Principles of combination". For all periods presented in the Combined Financial Statements, the Carbon Black business was under common control of Evonik Degussa GmbH and managed by Carbon Black's management which is based in Hanau, Germany.

These Combined Financial Statements were authorised for issuance by the management board of Evonik Degussa GmbH on April 26, 2011.

(2) Basis of preparation of the Combined Financial Statements

(2.1) Principles of combination

Carve-out approach

The Combined Financial Statements have been prepared on a "carve-out" basis from Evonik's consolidated financial statements using the historical results from operations, assets and liabilities attributable to the Carbon Black business and include allocations of income, expenses, assets, and liabilities from Evonik. The Carbon Black business has historically been managed as a single economic entity and does not have significant recurring inter-businesses relationships, other than financing and the utilisation of Evonik's sales functions, interdependencies or common facilities with other Evonik businesses that are not subject to the divestment transaction.

The Carbon Black business consists of 13 legal entities as of December 31, 2010. For these entities, which solely conducted activities related to the Carbon Black business, historical financial information with regards to assets and liabilities as well as income and expenses directly attributable to the Carbon Black business was readily available in the form of reporting packages used as part of the preparation of the Evonik consolidated financial statements.

Until June 30, 2010, the Carbon Black business was conducted by 10 legal entities solely operating in the Carbon Black business and by three legal entities which also operated in other business lines of Evonik ('Carve-out Entities'). For these three entities, assets and liabilities as well as income and expenses attributable to or incurred by the Carbon Black business were specifically identified and allocated on the basis of historical financial information related to these entities used for the preparation of the Evonik consolidated financial statements. The approach for the necessary carving-out procedures as well as with regards to allocation is described further below.

The Combined Financial Statements include only those assets, liabilities, income, expenses and cash flows that are directly attributable to the Carbon Black business. Evonik entities and operations which are not related to the Carbon Black business are not included in the Combined Financial Statements. This is also the case for all entities of the Evonik Chemicals worldwide sales network. These entities operate as distributors and agents for the Carbon Black business as well as for other businesses within Evonik's Chemicals group; however, as the Carbon Black business does not control or manage these sales entities, they were not included in the Combined Financial Statements. In addition, certain Evonik entities with holding company functions for the Carbon Black business but without operating Carbon Black business were also not reflected in the Combined Financial Statements on the basis that these entities were of minor significance and did not account for any operating activities of the Carbon Black business.

Allocation of working capital assets and liabilities, income and expenses for the Carve-out Entities was attributed based on profit centre and cost centre coding, as well as applying allocation keys that were used for regular reporting and approved by management.

In order to prepare the Combined Financial Statements, the historical financial information from the reporting packages of the Carbon Black legal entities were first aggregated with the separately derived historical financial information of the Carve-out Entities. Subsequently, receivables and liabilities, income and expenses and profits and losses resulting from transactions between the combined entities were eliminated.

Finally, in order to present the Combined Financial Statements, additional carve-out adjustments have been made to allocate specific assets and liabilities as well as income and expenses to Carbon Black business as further described below and in the notes to the Combined Financial Statements. Such carve-out adjustments include mainly corporate centre charges for Evonik group overhead services, the pushdown of goodwill and asset step-ups from the acquisition of the former Degussa group by RAG Beteiligungs-GmbH, the predecessor of Evonik Industries AG.

Management considers that such allocations have been made on a reasonable basis, but are not necessarily indicative of the cost that would have been incurred if Carbon Black were a stand-alone entity. The allocation rules used are described in more detail in note “(2.7) Accounting policies”.

Additionally, for purposes of these Combined Financial Statements, pensions and other postretirement plans and their respective portion of the plan liabilities, assets, benefits, interest and service costs, have generally been included or allocated to the Carbon Black business using actuarial valuations and techniques which in general take into account the active, inactive and retired employees that historically participated in the respective plans, except for Germany where liabilities and pension costs relating to retired or inactive employees were excluded. For further details, refer to note “(2.7) Accounting policies”.

Furthermore, for purposes of the Combined Financial Statements, income taxes have been prepared as if the legal entities and Carve-out Entities were separate tax-paying entities i.e., in accordance with the separate tax return approach.

The Carbon Black business has historically participated in Evonik's cash management and financing system. Accordingly, aside of cash and cash equivalent balances held directly with third party banks, the Carbon Black legal entities participated directly in cash pooling arrangements and inter-company loan agreements. The resulting balances were recorded as related parties current receivables or current liabilities depending on the cash pooling or loan position. Aside of these arrangements between certain Carbon Black and Evonik group entities, no parent level debt at Evonik was directly attributable to the Carbon Black business and, accordingly, no parent level debt or interest expense has been allocated to the Combined Financial Statements. Interest earned and interest payable on related party loans and cash pooling arrangements were historically settled through the cash pooling arrangement and based on market interest rates (for further information, refer to note “(7.3) Related parties" of the Combined Financial Statements.

Invested Equity of the Carbon Black business represents Evonik's residual claim on the Carbon Black business and includes allocations from Evonik, settlement of intercompany transactions with Evonik and the business' cumulative operating results. Year-on-year changes in Invested Equity resulting from carve-out adjustments or financing transactions are shown as “Net financing with parent”..

For the preparation of these Combined Financial Statements it was necessary to make assumptions and estimates for carve-out adjustments that have an impact on assets and liabilities as well as on income and expenses. Accordingly, these Combined Financial Statements do not necessarily reflect the financial position and performance that would have been presented if the Carbon Black business had already existed as an independent group during the periods presented and if the transactions between the Carbon Black business and other Evonik group companies had been carried out between independent companies. Because the Carbon Black business was not an independent group in the past, these Combined Financial Statements are not necessarily indicative of the future development of the business. In addition to industry and market conditions, Carbon Black's future profitability and cash flows depend on its ability to receive financing. Historically, financing has been made available to the Carbon Black business through Evonik.

The accounting policies that are specific for the preparation of these Combined Financial Statements (overhead and intercompany charges, goodwill from the acquisition of the former Degussa Group, presentation of "Invested Equity", deferred and current taxes, pensions) are also described in detail in the respective paragraphs of note "(2.7) Accounting policies".

(2.2) Scope of consolidation / Combination

As of December 31, 2010, the Combined Financial Statements comprise the following legal entities:

Evonik Carbon Black GmbH, Germany
Evonik Carbon Black Brasil Ltda., Brazil
Evonik Carbon Black Italia s.r.l., Italy
Evonik Carbon Black Nederland B.V., the Netherlands
Evonik Carbon Black Korea Co. Ltd., Korea
Evonik Cofrablack S.A.S., France
Evonik Carbogal S.A., Portugal
Evonik Carbon Black Polska Sp.z.o.o., Poland
Evonik Norcarb A.B., Sweden
Evonik Degussa Carbons Inc, USA
Evonik Carbon Black, LLC, USA (former Degussa Engineered Carbons LP, USA ("DEC"))
Quingdao Evonik Chemicals Co. Ltd., China
Algorax (Pty.) Ltd., South Africa

The scope of consolidation has not changed over the periods presented, however, prior to the legal carve-out on July 1, 2010, Evonik Carbon Black GmbH, Germany, Evonik Carbon Black Brasil Ltda., Brazil, and Evonik Carbon Black Italia s.r.l., Italy, did not exist as separate legal entities, but operated as part of:

Evonik Degussa GmbH, Germany
Evonik Degussa Brasil Ltda., Brazil
Evonik Degussa Italia S.p.A., Italy.

Therefore historical carve-out financial information has been prepared to identify assets and liabilities as well as income and expenses relating to the Carbon Black business based on the approach described in this note.

In addition to the 13 entities listed above, two further entities are included as part of these combined financial statements:
Kommanditgesellschaft Deutsche Gasrußwerke GmbH & Co. KG (in which the Carbon Black business holds a 54.35 percentage stake, but not a majority of voting rights) is accounted for using the equity method, because Carbon Black has significant influence.

Deutsche Gasrußwerke GmbH is recognised in accordance with IAS 39 Financial Instruments: Recognition and Measurement, because Carbon Black, although holding a share of 50 percent, has considered this investment as not having a material influence on the financial position, profits and cash flows of the business, and as such has not applied accounting based on equity. It is accounted for at cost because there is no quoted market price and the fair value cannot be measured reliably.

Consolidation methods

The financial statements of the combined German and foreign entities are prepared using uniform accounting and valuation principles.

The difference between assets and liabilities, as allocated to the Carbon Black business according to the carve-out rules described above, is presented as "Invested Equity". As equity is defined in Framework 49 as the residual interest in the assets of an entity after deducting all liabilities, the residual amount of all assets and liabilities allocated to the Carbon Black business was regarded as equity, which represents the net investment in the Carbon Black business. Therefore, such equity is stated as "Invested Equity" in the Combined Financial Statements. The resulting capital structure presented for the Carbon Black business in these Combined Financial Statements is not indicative for the capital structure of Carbon Black business if it had been a stand-alone entity during the financial reporting periods presented.

In 2009, Carbon Black's interest in Algorax (Pty.) Ltd., South Africa, increased from 67.5 percent to 80 percent without any cash payment as a result of a reorganisation within Evonik. This change in interest was accounted for by reclassifying the carrying amount of the former non-controlling interests to equity attributable to controlling interests.

Intragroup income and expenses, profits, losses, receivables and liabilities between combined Carbon Black entities are eliminated.

The same consolidation principle also applies for the at equity-accounted company Kommanditgesellschaft Deutsche Gasrußwerke GmbH & Co. KG; however, any goodwill is recognised in the carrying amount of the investment. The financial statements of the company recognised at equity are prepared using uniform accounting and valuation principles.

(2.3) Compliance with IFRS

These Combined Financial Statements have been prepared on the basis of the International Financial Reporting Standards (IFRS) and comply with these standards. The IFRS comprise the International Financial Reporting

Standards and International Accounting Standards (IAS) issued by the International Accounting Standards Board (lASB), London (UK), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union.

(2.4) Presentation of the financial statements

The Combined Financial Statements cover the three periods from January 1 to December 31, 2010, January 1 to December 31, 2009 and January 1 to December 31, 2008 and are presented in euros. All amounts are stated in millions of euros (€ million) except where otherwise indicated.

The income statement has been prepared using the cost-of-sales method. Expenses are divided by function. The statement of comprehensive income contains income after taxes as shown on the income statement and all other comprehensive income. On the balance sheet, assets and liabilities are classified by maturity. They are classified as current if they are due or expected to be realised within twelve months from the reporting date. The statement of changes in equity shows changes in equity attributable to holders of the parent and changes in non controlling interests in the reporting period. Transactions with shareholders in their capacity as owners are also shown separately. The cash flow statement provides information on the combined cash flows. The cash flow from operating activities is presented using the indirect method. The notes contain basic information on the Combined Financial Statements, supplementary information on the above components of the Combined Financial Statements and further information, such as additional financial information on product lines.

(2.5) Newly issued IFRS

Accounting standards applied for the first time

The IASB has revised or issued a number of standards and interpretations. These have been officially adopted into European law by the European Union and became mandatory for the first time or were applied by Carbon Black voluntarily before they became mandatory.

Accounting standards applied for the first time in 2010, which do not have a significant or no impact on Carbon Black's Combined Financial Statements, include:

- IFRS 3 "Business Combinations" (2008) and IAS 27 "Consolidated and Separate Financial Statements" (2008),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement": Hedged Items",
- IFRIC 17 "Distribution of Non-cash Assets to Owners",
- IFRIC 18 "Transfers of Assets from Customers",
- Standards changed in the second annual improvements project "Improvements to IFRS's (2009)",
- Revised version of IFRS 2 "Share-based Payment": Group Cash-settled Share-based Payment Transactions.

The adoption of IAS 27 (2008) did not result in a change of Carbon Black's accounting policy for the acquisition of non-controlling interests. Such transactions in the past have been accounted for as equity transactions which do not result in any goodwill. Any excess of the amount paid over the carrying amount of non-controlling interests is also recorded in equity.

Accounting standards applied for the first time in 2009, which do not have a significant or no impact on these Combined Financial Statements, include:

- IAS 27 "Consolidated and Separate Financial Statements": Accounting for Investments in Subsidiaries, Jointly Controlled Entities and Associates
- Revised version of IFRS 1 "First-time Adoption of International Financial Reporting Standards"
- Amendment to IFRS 2 "Share-Based Payment": Vesting Conditions and Cancellations
- Revised version of IAS 23 "Borrowing Costs"
- Changes to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements": Putable Financial Instruments and Obligations Arising on Liquidation
- Annual improvements project "Improvements to IFRS's (2008)"
- Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement": Embedded Derivatives
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation".

In September 2007, the IASB issued an amendment to IAS 1, “Presentation of Financial Statements”. The application of revised IAS 1 resulted in changes to the presentation of the financial statements. The revised standard prohibits the presentation of items of income and expenses in the statement of changes in equity, requiring these to be presented in a statement of comprehensive income. In addition the statement of changes in equity has become a part of primary financial statements. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings.

In March 2009, the IASB issued “Improving Disclosures about Financial Instruments (Amendments to IFRS 7 "Financial Instruments: Disclosures")” which enhances disclosures about fair value measurements of financial instruments and liquidity risk.

The following standards and interpretations became effective in 2008, but did not have a significant or did have no impact on Carbon Black’s Combined Financial Statements:

- Revisions to IAS 39 and IFRS 7 regarding the reclassification of financial instruments from the available-for-sale and at fair value through profit or loss categories in exceptional circumstances
- IFRIC 11 “IFRS 2: Group and Treasury Share Transactions”.

Accounting standards that are not yet mandatory

The IASB adopted further accounting standards up to December 31, 2010, which did not become mandatory in the 2010 fiscal year or have not yet been officially adopted by the European Union. These new accounting standards will probably be applied for the first time - as far as they are relevant for the Combined Financial Statements - from the date on which they become effective.

In October 2009, the IASB published the revised standard IAS 32 “Financial Instruments: Presentation”. If a company issues subscription rights, options or warrants to acquire a fixed number of its shares in a currency other than its functional currency, such rights previously had to be accounted for as financial liabilities. In the future such rights, as far as they are issued for a fixed amount of any currency, will be recognised as equity instruments if the company offers them pro rata to all existing holders of the same class of its equity. The revised standard is applicable retrospectively for fiscal years beginning on or after February 1, 2010. Earlier application is permitted. The impact on the Combined Financial Statements is currently being examined.

In November 2009, the IASB published the revised standard IAS 24 “Related Party Disclosures”. These revisions include simplifications for government-related entities and improve the definition of a related party. The revised standard is applicable for fiscal years beginning on or after January 1, 2011. Earlier application is permitted. The impact on Carbon Black’s Combined Financial Statements is currently being examined.

Further, in November 2009, the IASB finalised and published the amended interpretation IFRIC 14 “IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. This amendment addresses, inter alia, the measurement of prepayments of minimum funding requirements as assets. This amended interpretation is applicable for fiscal years beginning on or after January 1, 2011. Earlier application is permitted. The amended interpretation is not currently relevant for Carbon Black’s Combined Financial Statements.

In November 2009, the IASB also published IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”, which explains the conditions permitting an entity to fully or partially extinguish a financial liability through the issuance of shares or other equity instruments. This interpretation is applicable for fiscal years beginning on or after July 1, 2010. Earlier application is permitted. This interpretation is not currently relevant for Carbon Black’s Combined Financial Statements.

In January 2010, the IASB published the revised Standard IFRS 1 "First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures". The amendments made to IFRS 7 in connection with IFRS 1 provide simplifications for first time adoption with respect to the presentation of prior year comparative information for financial instruments. The simplifications are to be applied for annual periods beginning on or after July 1, 2010. Earlier application is permitted. This interpretation is not currently relevant for Carbon Black’s Combined Financial Statements.

In May 2010, as part of its third annual improvements process, the IASB published “Improvements to IFRSs (2010)” containing amendments to a variety of IFRSs. The project makes minor, non-urgent but necessary amendments to existing standards, which are not addressed in another, major project. The amended standards are generally applicable for fiscal years starting on or after January 1, 2011. Earlier application is permitted. The impact on Carbon Black’s Combined Financial Statements is currently being examined.

In October 2010, the IASB published amendments to IFRS 7 "Financial Instruments: Disclosures". The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amended standard is generally applicable for fiscal years starting on or after July 1, 2011. Earlier application is permitted. The impact on Carbon Black’s Combined Financial Statements is currently being examined.

In November 2009, the IASB published the revised standard IFRS 9 "Financial Instruments". This standard is part of a project for a new standard to replace IAS 39 "Financial Instruments: Recognition and Measurement". It is concerned exclusively with the classification and measurement of financial assets. IFRS 9 replaces the former measurement categories with the categories "at amortised cost" or "at fair value". The decision on whether to carry an instrument "at amortised cost" depends on the one hand on the entity's business model and on the other hand on the contractually agreed cash flows from the financial instrument. Instruments that do not meet the criteria for measurement "at amortised cost" are recognised in income "at fair value". Measurement of assets at fair value through other comprehensive income is permitted for selected equity instruments.

In October 2010, the IASB amended IFRS 9 "Financial Instruments" to include guidance regarding financial liabilities. The requirements retain the existing amortised cost measurement basis for most financial liabilities. New requirements apply where an entity elects to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than in profit or loss. The amended standard is generally applicable for fiscal years starting on or after January 1, 2013. As the project is conducted in three phases and is not yet endorsed, the impact on Carbon Black's Combined Financial Statements cannot yet be finally determined.

In December 2010, the IASB published amendments to IAS 12 "Income Taxes". The amendments require an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amended standards are generally retrospectively applicable for fiscal years starting on or after January 1, 2012. Earlier application is permitted. The amendments are not relevant for Carbon Black's Combined Financial Statements.

(2.6) Currency translation

Foreign currency transactions are measured at the exchange rate at the date of initial recognition. Any gains or losses resulting from the valuation of monetary assets and liabilities in foreign currencies as of the reporting date are recognised in other operating income or other operating expenses.

The functional currency method is used to translate the financial statements of foreign entities. In the Combined Financial Statements, the balance sheets of all foreign entities are translated from the functional currency of the company into euros at closing rates on the reporting date, since they conduct their business independently in their functional currency. As an asset pertaining to an economically autonomous foreign operation, goodwill carried in a currency other than euros is translated at the closing rate. Income and expense items are translated at average exchange rates for the year. The average annual exchange rates comprise the mean of the exchange rates at month-end over the past 13 months. Translation differences compared to the prior year and translation differences between the income statement and balance sheet are recognised in other comprehensive income.

The following exchange rates were used for currency translation:

	Annual average exchange rates			Closing rates		
€1 corresponds to	2010	2009	2008	Dec.31,2010	Dec.31,2009	Dec.31,2008
Brazilian real (BRL)	2.34	2.80	2.66	2.22	2.51	3.23
Chinese renminbi yuan (CNY)	9.00	9.53	10.25	8.82	9.84	9.50
South Korean won (KRW)	1,540.28	1,775.36	1,604.48	1,499.06	1,666.97	1,839.13
Polish zloty (PLN)	4.01	4.33	3.53	3.98	4.10	4.15
Swedish crown (SEK)	9.55	10.61	9.66	8.97	10.25	10.87
US dollar (USD)	1.33	1.40	1.47	1.34	1.44	1.39
South African rand (ZAR)	9.735	11.640	11.928	8.863	10.666	13.067

(2.7) Accounting policies

Revenue recognition

Revenues from the sale of goods and services that constitute part of the business' normal activity and other revenues are recognised as follows:

(a) Sales

Carbon Black mainly generates sales by selling carbon blacks to industrial customers for further processing.

Prices are contractually agreed between the parties to a transaction. Sales revenues are measured at the fair value of the consideration received or to be received less value-added tax and any discounts or bulk rebates granted. The general principle for revenue recognition is that it must be sufficiently probable that the economic benefit will flow to the company, and both the revenues and the related costs can be measured reliably.

Revenues from the sale of goods are recognised, when the general conditions for revenue recognition are met, and when title and the associated risks pass to the customer. Provisions are established for general risks arising from the sale of goods and services based on past experience.

(b) Other revenues

Other revenues are only recognised if they can be determined reliably and it is sufficiently probable that the economic benefit will flow to the company.

Interest income is recognised on a pro rata basis using the effective interest method. Income from royalties is accrued on the basis of the commercial terms of the underlying contract.

Allocation of overhead and intercompany charges

The Combined Financial Statements include amounts allocated for certain corporate overhead functions and infrastructure services provided by the Evonik group to the Carbon Black business. Such amounts primarily consist of corporate centre charges and costs of the shared service centre allocated to the Carbon Black business on a lump-sum basis (refer also to note "(7.3) Related parties").

Corporate centre charges primarily consist of head office services, such as group management board support, corporate marketing, corporate human resources, corporate environmental protection, health and safety, corporate law, corporate treasury and corporate accounting. According to Evonik group accounting, such costs are not normally assigned to business lines or business units, but charged to business areas, which are classified Evonik reportable segments, on a contractual basis. However, for the preparation of the Combined Financial Statements, such costs were allocated to the business line Carbon Black using the historically applied sales-based key. The costs are deemed settled through Invested Equity. Management considers that such allocation has been made on a reasonable basis, but is not necessarily indicative of the costs that would have been incurred if the Carbon Black business was a stand-alone entity.

Costs for accounting, legal and tax services, information technology, procurement, communication and human resources are included in the Combined Financial Statements based on the amounts charged by the shared service centre of the Evonik group. The services of the shared service centre are governed by service contracts and management believes that the charges for these services are comparable to the rates charged by third-party providers.

Intangible assets

Intangible assets are capitalised at acquisition or production cost. Intangible assets with a finite useful life are amortised and an impairment test is conducted if there are indications of a possible impairment, see note (2.7) "Impairment test". Intangible assets with an indefinite useful life are not amortised; instead they are tested for impairment at least once a year. The assumptions regarding their indefinite useful life are also reviewed annually.

(a) Goodwill

Goodwill has an indefinite useful life and is tested for impairment at least once a year or earlier, if there is an indication that the goodwill might be impaired.

In these Combined Financial Statements, effects from the purchase price allocation relating to the Evonik group's acquisition of the former Degussa group by RAG Beteiligungs-GmbH, the predecessor of Evonik Industries AG, in 2003 and 2004 are recognised. Goodwill arising from that acquisition which relates to the business line Carbon Black is allocated based on the proportion of the business line Carbon Black's enterprise value compared to the enterprise value of the Evonik Business Unit 'Inorganic Materials', which is now an operating segment of the Evonik Group.

The intangible assets and other assets and liabilities recognised in the purchase price allocation resulting from this acquisition which relate to the Carbon Black business are reflected in the Combined Financial Statements based on their carrying amounts in the consolidated financial statements of Evonik. The resulting annual amortisation is reflected in the Combined Income Statement.

(b) Trademarks

Trademarks have an indefinite useful life, as there are no restrictions on their use. They are tested annually for impairment and it is checked that their useful life is still indefinite. If the assessment of the useful life of such trademarks has altered and is reclassified as finite, their carrying amounts are amortised over their estimated remaining useful life using the straight-line method.

(c) Capitalised development costs

Development costs are capitalised if they can be clearly assigned to a newly developed product or process that is technically feasible and is designated for internal use or commercialisation. Carbon Black has not capitalised development costs apart from development costs resulting from the push-down of asset step-ups as part of the acquisition of the former Degussa AG by RAG Beteiligungs-GmbH, the predecessor of Evonik Industries AG. Capitalised development costs from the push-down mainly relate to the development of new products and are amortised using the straight-line method over their estimated useful life of between 1and 15 years.

(d) Other intangible assets

The majority of other intangible assets are acquired customer relationships. These are amortised over their expected useful life. This is estimated on the basis of contractual data and experience and is generally between 2 and 11 years. Amortisation takes account of both useful life and probability of continuance of the customer relationship in the form of a "churn rate".

Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost and depreciated over their useful life using the straight-line method. If there are indications of a possible impairment, an impairment test is conducted as outlined under (2.7) "Impairment test".

The cost of acquisition includes expenses directly attributable to the acquisition. The cost of production of assets manufactured within the Carbon Black business comprises the direct cost of materials and labor, plus the applicable proportion of material and manufacturing overheads, including depreciation. Costs relating to obligations to dismantle or remove non-current assets at the end of their useful life are capitalised as acquisition or production costs at the time of acquisition or production. Borrowing costs that can be allocated directly to the acquisition, construction or production of a qualifying asset are included in the cost of acquisition or production. A qualifying asset is an asset for which more than a year is required to get it ready for its intended use.

Property, plant and equipment are depreciated using the straight-line method over the expected useful life of the assets:

in years	
Buildings	5 – 50
Plant and machinery	
Carbon Black facilities	5 – 25
Other technical plant and equipment	3 – 25
Other plant, office furniture and equipment	3 – 25

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Expenses for overhauls and major servicing (major repairs) are generally capitalised if it is probable that they will result in future economic benefits from an existing asset. They are then depreciated over the period until the next expected major repair date. Routine repairs and other maintenance work are expensed in the period in which they are incurred.

If major components of an asset have different useful lives, they are recognised and depreciated separately. Gains and losses from the disposal of property, plant and equipment are calculated as the difference between the net proceeds of sale and the carrying amount and recognised in other operating income or other operating expenses.

Impairment test

Impairment of property, plant and equipment and other intangible assets with finite useful lives

The Carbon Black business assesses property, plant and equipment and other intangible assets with finite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If assets are determined to be impaired, the carrying amount of those assets is written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use determined as the amount of estimated discounted future cash flows. For this purpose, assets are grouped based on separately identifiable and largely independent cash flows (cash generating units).
Impairment tests are performed at legal entity level, which represents the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows of other assets or groups of assets. Impairments are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

Impairment losses recorded in 2010 on those assets were € 6.0 million (2009: € 1.9 million, 2008: € 90.9 million).
In 2010 Carbon Black recorded impairment losses of € 4.3 million on intangible assets associated with the acquisition of Evonik Carbon Black, LLC, USA (former Degussa Engineered Carbons LP, USA), in 2007. Impairment testing revealed that the assets were not recoverable and therefore the assets were fully impaired. In addition, impairment losses of € 1.7 million related to the closure and shift of selected production facilities at Carbon Black's US operations were also recorded in 2010.

In 2008, Carbon Black recorded impairment losses mainly on its production facilities in Poland (€ 15.2 million), the Netherlands (€ 15.6 million), China (€ 8.9 million), South Africa (€ 6.7 million) and the US (€ 32.7 million), resulting from the economic crisis, which started to have an impact from November 2008. The economic crisis resulted in far weaker business expectations for these regions and plants. The impairments relate principally to plant and machinery used to manufacture carbon blacks.

In 2010, Carbon Black reversed impairments of € 19.0 million on its production facilities in Poland (€ 9.4 million), China (€ 2.0 million) and South Africa (€ 7.6 million) due to the recovery of the worldwide economy, which raised long-term business expectations for these regions and plants.

The applicable recoverable amounts relating to the impairment charges and reversals recognised during fiscal year 2008 and 2010 were based on the value-in-use calculation and were estimated by management based on the following procedures:

- Future cash flows were derived from approved business plans of the legal entities reflecting a detailed planning period of five years. The cash flows for subsequent years were estimated by means of extrapolation.
- Only capital expenditure (capex) needed to maintain the asset or group of assets in its current condition was taken into account. Thus, any expansionary capex in the approved business plan was deducted for impairment testing purposes.
- For simplification purposes, total depreciation and amortisation was recalculated to correspond to the sum of the carrying values of the asset or group of assets under review and the capex over the remaining useful life.
- Annual free cash flows were discounted to the measurement date applying the appropriate weighted average cost of capital (WACC).
- Any reversals of impairments were limited to the carrying amount that would have been determined if no impairment loss had been recognised for the asset or group of assets in prior years.

Depending on the region which the entity belongs to, the perpetual annuity is 1.5 percent for all years and the weighted average cost of capital (WACC) determined as the discount rate varied from 7.5 percent to 8.4 percent (2008: 8.1 percent to 14.3 percent).

Impairment of goodwill

Goodwill is not amortised, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances ("triggering events") which suggests that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

For the purpose of testing goodwill for impairment, goodwill must be allocated pursuant to IAS 36 to the cash-generating unit that represents the lowest level within the entity at which the goodwill is monitored by management and is not larger than an operating segment within the meaning of IFRS 8. The goodwill impairment test is performed at the level of the combined Carbon Black business. The business is managed overall as a single operating segment. Therefore, the Carbon Black business represents the cash generating unit and the lowest level at which goodwill is monitored for internal management purposes.

If the carrying amount of the Carbon Black business as presented in the combined financial statements exceeds its recoverable amount, goodwill is reduced accordingly. The recoverable amount is the higher of the business' fair value less cost to sell and its value in use. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in future period if the recoverable amount exceeds the carrying amount.

For the periods of the Combined Financial Statements, the impairment test was performed as of December of each respective year. For the purpose of the impairment test calculation, management had to estimate future cash flows based on the most recently approved financial budgets and forecasts, and determine the weighted average cost of capital (WACC) as the discount rate. Management planning for the next five years is based on past developments and the expectations with respect to future market developments. Significant planning assumptions relate to sales volume growth (average sales growth rate in planning phase 4.14 percent (2010), 8.54 percent (2009) and 6.23 percent (2008) and 1.5 percent for growth rate for perpetual annuity for all years, the development of gross margins and operating margins, the WACC and the growth rate in the period after the detailed planning period.

The expected future cash flows are discounted using the weighted average cost of capital (WACC) after taxes. WACC is determined for Carbon Black on the basis of capital market models and is the weighted average cost of debt and equity. The cost of equity is determined from the risk-free interest rate and a risk premium. The risk premium is derived by multiplying the beta factor by the market risk premium. The risk-free interest rate is defined as 3.75 percent for 2010, 4.50 percent for 2009 and 4.75 percent for 2008. The beta factor is obtained from the capital markets by comparison with the values for comparable companies for Carbon Black (peer group). A terminal growth rate is assumed for Carbon Black. The cost of debt is derived from an analysis of the gearing of peer group companies and the resultant cost of debt. The risk adjusted discount rate is 7.5 percent for 2010, 7.9 percent for 2009 and 8.1 percent for 2008.

In 2009, a goodwill impairment of € 107.0 million was recorded. The goodwill impairment became necessary due to the continuing economic crisis in 2009 which did not only reduce the business expectations for selected regions or plants but also reduced the longer-term business outlook for the entire business.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories of similar structure or for similar applications is determined uniformly as an average or using the first-in first-out method. The cost of finished goods and work in progress comprises the cost of raw materials and supplies, directly attributable personnel expenses, other direct costs and general overheads that can be assigned to production (based on normal operating capacity).

Write downs are reversed if the reason for them is no longer applicable; they may be written back at most to the historical cost of acquisition or production.

Emission allowances

Carbon Black does not have any purchased emission allowances, but owns emission allowances granted by the German government. Analogously to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", a token amount is recognised for emissions allowances allocated free of charge. Provisions are recognised for the fair value of any shortfall in emission allowances compared to the emission allowances granted and received from the government. If the level of emission allowances received exceeds the expected requirements, a contingent asset will be disclosed where significant.

Cash and cash equivalents

This item comprises checks, cash and cash equivalents and balances held at banks. They are measured at fair value.

Capital structure and financing

The difference between assets and liabilities, as allocated to the Carbon Black business according to the carve-out rules described herein, is presented as “Invested Equity”. As equity is defined in Framework 49 as the residual interest in the assets of an entity after deducting all liabilities, the residual amount of all assets and liabilities allocated to the Carbon Black business was regarded as equity, which represents the net investment in the Carbon Black business. Therefore, such equity is stated as “Invested Equity” in the Combined Financial Statements. The capital structure attributed to the Carbon Black business in these Combined Financial Statements, presented as “Invested Equity”, is not indicative of the capital structure that the Carbon Black business would have required if it had been a stand-alone entity during the financial reporting periods presented.

As part of the transfer of the Carbon Black business in Germany, Brazil and Italy into separate legal entities, Evonik established intercompany cash pool and loan agreements with the new entities, which were clearly attributable to the Carbon Black business and were therefore reflected in the Combined Financial Statements after the legal carve-outs. In contrast, prior to the legal carve-outs intercompany financing at the former Carve-out Entities in Germany, Brazil and Italy could not be clearly attributed to the Carbon Black business. Therefore, no such intercompany debts were allocated in the Combined Financial Statements to financial liabilities prior to legal carve-outs. Instead, the residual amount between clearly attributable assets and liabilities was shown as “Invested Equity”. In total, these newly attributable loans to the Carbon Black business resulted in an increase of financial liabilities by € 102 million as of December 31, 2010 and “Invested Equity” was reduced correspondingly (reflected in “Net financing with parent” in the combined statement of changes in invested equity).

Provisions for pensions and other post-employment benefits

Pension liabilities were recorded applying the general approach used in the preparation of the Combined Financial Statements i.e. pension data were prepared as reported in the reporting packages, with the exception of pension obligations in the German and US operations of the Carbon Black business.

The German Carve-out Entity has been legally carved-out as of July 1, 2010. Historically, pension obligations from direct pension commitments for retirees and former employees with vested rights (passive plan population) at Evonik Degussa GmbH were not allocated to the Carbon Black business. In addition, due to the legal carve-out the Carbon Black Business has no obligation to pay future benefits to any portion of the passive plan population. Therefore, for the periods prior to July 1, 2010, the Combined Financial Statements include pension obligations only to the extent that they relate to Carbon Black’s actual workforce during the respective reporting periods.

For the US operations, Evonik Degussa Corp. offers several corporate post-employment benefit schemes to its employees, including those employees working at Evonik Carbon Black, LLC, a subsidiary of Evonik Degussa Corp.

While historically pension income and expenses were allocated to Evonik Carbon Black, LLC, pension liabilities and assets were recorded solely by Evonik Degussa Corp. As pension obligations recorded at Evonik Degussa

Corp. also reflect benefits earned for services rendered to the Carbon Black business, the Combined Financial Statements include all liabilities and assets for pensions and similar obligations attributable to Evonik Carbon Black, LLC.

Provisions for pensions and other post-employment benefits are measured using the projected unit credit method for defined benefit obligations in accordance with IAS 19 “Employee Benefits”. This method takes account of future salary and pension increases as well as pension obligations and accrued entitlements as of the reporting date. In Germany, the valuation is based on the biometric data in the 2005 G mortality tables published by Klaus Heubeck. Pension obligations outside Germany are determined using country-specific parameters. In Germany, the US and the Netherlands, the Carbon Black business participates in corporate pension plans. For these plans the disclosed fair value of plan assets is determined by applying the overall plans’ funding levels to the pension obligation attributable to the Carbon Black business. Actuarial gains and losses are derived from the difference between the expected pension obligations and the actual obligation calculated at year end, and from deviations between the expected and actual fair value of plan assets calculated at year end. Actuarial gains and losses are only recognised if the balance of accumulated actuarial gains and losses not yet recognised in profit or loss exceeds the higher of one of the following at the end of the previous reporting period:

- 10 percent of the present value of the defined benefit obligation,
- 10 percent of the fair value of plan assets.

The amounts exceeding this level are divided by the expected average remaining service life of the employees covered by the plan and the resulting amounts are recognised in the Combined Income Statement in the following year.

The benefit obligations at year end are compared with the fair value of the plan assets (funded status). Pension provisions are derived from the funded status by adjusting unrecognised actuarial gains and losses and past service cost, taking the asset ceiling into account.

Defined contribution plans result in an expense in the period in which the contribution is made. Defined contribution plans exist for both company pension plans and state pension plans (statutory pension insurance).

Other provisions

Other provisions are liabilities of uncertain timing or amount. They are established to cover a present legal or constructive obligation to third parties based on past events that will probably lead to an outflow of resources. It must also be possible to reliably estimate the level of the obligation. If there are several obligations of the same type, the probability of an outflow of resources is calculated for these obligations as an aggregate. Restructuring provisions are only established if a constructive obligation exists on the basis of a formal, detailed plan and those affected have been given valid expectations that the restructuring will be carried out.

Provisions are based on settlement obligations and take account of future cost increases. Non-current provisions are discounted. Current provisions and the current portion of non-current provisions are not discounted. Provisions are adjusted over time to take account of new findings.

Deferred taxes, other income taxes

In compliance with IAS 12 "Income Taxes", deferred tax assets and liabilities are established for temporary valuation and recognition differences between the assets and liabilities recognised in the balance sheets prepared for tax purposes and those prepared in accordance with IFRS. Tax-deductible loss carry forwards that will probably be utilised in the future are capitalised at the amount of the deferred tax asset. Deferred tax assets are recognised on the assumption that sufficient future taxable income is likely to be realised to cover these temporary differences. When the realisation of deferred tax assets is not probable, they will be written off.

Deferred tax assets and liabilities are netted if the company is permitted to net current income tax assets and liabilities and if the deferred tax assets and liabilities relate to income taxes in the same tax jurisdiction.

For the three Carve-out Entities, income taxes are calculated as if the Carve-out Entities had been filing separate tax returns in the past.
As a result, current and deferred taxes had to be calculated separately for the Carbon Black business of Evonik Degussa GmbH, Evonik Degussa Italia S.p.A. and Evonik Carbon Black Brasil Ltda. for the years 2008 onwards, independently of historically recorded taxes. Current tax expenses calculated are deemed settled through Invested Equity.

When calculating the deferred taxes for the Carbon Black business of Evonik Degussa GmbH, net operating losses suffered in 2009 had to be considered. Since in the course of the legal carve-out on July 1, 2010, no tax loss carry forwards can be transferred to the Carve-out Entity statutorily and due to the forecast made by the end of 2009 to suffer a tax loss in 2010 prior to legal carve-out, no deferred tax asset for tax loss carry forwards was recognised for this Carve-out Entity in the Combined Financial Statements as of December 31, 2009.

At the level of Evonik Carbon Black LLC, which was part of a US tax group and thus included in that group's consolidated tax returns, current and deferred taxes also had to be recalculated on a stand-alone basis. Due to the fact that the entity had a history of losses, deferred tax assets were impaired to zero or not recognised, respectively.

For any other Carbon Black entity, the carrying amounts for deferred and current taxes in the Combined Financial Statements comply with the amounts represented in the Evonik consolidated financial statements.

The tax rates used to calculate deferred taxes are those valid under current legislation or that have been announced as being applicable as of the date when the temporary differences will probably be settled. The overall tax rate used to calculate deferred taxes for companies in Germany is 30 percent. In addition to 15 percent German corporation tax, the overall tax rate includes a solidarity surcharge of 5.5 percent of the German corporation tax and average trade tax of around 14 percent. The tax rates used for foreign entities are their national tax rates. These vary between 19 percent (Poland) and 39.5 percent (United States).

Other income taxes for the reporting period and previous periods are recognised on the basis of the expected payment or refund. They are calculated using the company-specific tax rates applicable on the reporting date.

Financial instruments

Financial instruments comprise contractually agreed rights and obligations resulting in an inflow or outflow of financial assets or the issue of equity instruments. They consist of either primary or derivative financial instruments.

Financial instruments are initially measured at fair value plus any directly attributable transaction costs. By contrast, transaction costs for financial instruments held at fair value through profit or loss are included in the income statement. Subsequent measurement is based on the classification of the financial instruments.

(a) Primary financial instruments

In the Carbon Black Business, all primary financial instruments that constitute financial assets are classified in the category loans and receivables or available-for-sale. They are initially recognised at the settlement date. Financial assets are derecognised when the contractual rights to receive payments lapse or are transferred and the Carbon Black Group has transferred substantially all opportunities and risks associated with ownership. There were no instances where the Carbon Black Business sold financial assets through securitisation or a repurchase agreement and the assets were still reported in full or in part in the financial statements (continuing involvement).

Primary financial instruments that constitute financial liabilities are recognised at amortised cost. Financial liabilities are derecognised when the obligation has been settled, cancelled or expired.

The categories used by the Carbon Black Group are outlined below:

Loans and receivables principally comprise trade accounts receivable and loans. The assets assigned to this category are valued at amortised cost using the effective interest rate method. If there are objective indications based on past experience that it will not be possible to collect the full amounts due under customary conditions, an impairment loss is recognised. This is measured as the difference between the carrying amount of the asset and the present value of the estimated future payments calculated using the effective interest rate. Impairment losses are recognised in the income statement. If the original reason for the impairment loss no longer applies, it is reversed to income, but only up to the amortised cost. Financial assets are examined for objective indications of impairment on every reporting date.

Available-for-sale assets comprise equity instruments that are not consolidated or recognised at equity. If no fair value is available for such assets or it cannot be determined reliably e.g. equity instruments that are not listed on a stock exchange the assets are recognised at cost. Changes in the fair value are recognised in other comprehensive income. Financial assets are examined for objective indications of impairment on every reporting date. A material or lasting reduction in the fair value to below the carrying amount is regarded as an indication of impairment. In the case of shares, this is considered to be the case if the fair value is 20 percent below the carrying amount. In such cases, the corresponding losses are derecognised from other comprehensive income and recognised in the income statement. If the reason for the impairment loss no longer applies, the reversal is recognised in other comprehensive income and thus has no impact on income. Impairment losses are not reversed if they apply to investments and other financial assets whose fair value cannot be reliably determined.

The category financial liabilities at amortised cost mainly refers to trade accounts payable and debt financing. The liabilities classified to this category are valued at amortised cost using the effective interest rate method.

b) Derivative financial instruments

Derivative financial instruments are used primarily to hedge the risk of changes in exchange rates and the price of goods. Derivatives in the form of forward exchange contracts and commodity swaps are recognised in the balance sheet. Initial recognition is set at the trade date. If no stock exchange or market price is available for the derivative from an active market, the fair value is determined using capital market pricing methods. For forward exchange contracts, the forward exchange rate as of the reporting date is used. Commodity derivatives are valued with the aid of spot prices and forward rates. Stand-alone financial derivatives are classified as at fair value through profit or loss. Financial instruments assigned to this category are measured at fair value on each reporting date. Any gain or loss resulting from a change in their fair value is recognised in the income statement.

Specific criteria have to be met to qualify for hedge accounting. In particular, hedge accounting requires extensive documentation of the hedge relationship, together with evidence that the expected and actual effectiveness of the hedge is between 80 and 125 percent. A derivative no longer qualifies for hedge accounting if these conditions are not fulfilled. In the case of cash flow hedges, hedge accounting must also be halted if the forecast transaction no longer appears highly probable.

Depending on the structure of the hedge, the accounting is performed as outlined below:

The Carbon Black business exclusively applies cash flow hedging.

The purpose of cash flow hedges is to minimise the risk of volatility of future cash flows from a recognised asset or liability or a forecast transaction that is considered highly probable. Changes in the fair value of hedging instruments, calculated on the effective portion, are recognised in other comprehensive income. The ineffective portion of the change in value is recognised in the income statement. Amounts recognised in other comprehensive income are reclassified to the income statement as soon as the hedged item has an impact on the income statement. Procurement hedges are directly included in the cost of sales. If the hedged future transaction comprises a non-financial asset or liability, the profit or loss previously recognised in other comprehensive income is included in the cost of acquisition of the asset or liability when it is initially recognised, see note “(7.2) Additional information on financial instruments”.

Leasing

A lease comprises an agreement that transfers the right to use an asset for a certain period in return for one or more payments. The business is party to various operating leases as lessee.

The related income and expenses are recognised in the income statement in the period in which they are received or incurred.

Government grants

Government grants for the purchase or construction of property, plant and equipment reduce the cost of acquisition or production of such assets. Grants are reflected in the income statement over the useful life of the assets through lower depreciation. In 2010, Carbon Black received government grants from the German

Ministry of Education and Research for several research projects. These government grants, which were completely funded at the beginning of the project, were recognised directly in the income statement, generally according to the research expenses incurred. If the grant for the stated project is not used during a defined deadline, having less cost than it was stated or failing to meet defined conditions, the ministry can reclaim the grant with interest.
In 2008 Carbon Black received government grants for enhancement of the environment. In case of failing defined environmental effects or not operating the construction during a defined period, the government can reclaim the grant with interest. Other grants are accrued and recognised as income over the same period as the expenses for which they are expected to compensate.

Contingent liabilities and other financial commitments

Contingent liabilities, except for those recognised in connection with a business combination, are possible or present obligations arising from past events where an outflow of resources is not improbable but which are not recognised on the balance sheet.

Other financial commitments result from non-onerous executory contracts, continuous obligations, statutory requirements and other commercial obligations that are not already recognised as liabilities on the balance sheet or in contingent liabilities and that are of significance for an assessment of the Carbon Black's financial position.

(3) Discussion of assumptions and estimation uncertainties

The preparation of the Combined Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results may differ from management's estimates. Estimates and assumptions are reviewed on an ongoing basis and changes in estimates and assumptions are recognised in the period in which the changes occur and in future periods impacted by the changes. In addition to the carve-out assumptions which impact the presentation of the Combined Financial Statements, the estimates and assumptions that constitute a significant risk that the carrying amounts of assets and liabilities may have to be adjusted within the next fiscal year are discussed below.

(a) Impairment testing of goodwill and intangible assets
Testing intangible assets, especially goodwill, for impairment involves assumptions and estimates regarding, for example, future cash flows, expected growth rates, exchange rates and discount rates. The relevant assumptions may change, leading to impairment losses in future periods. The impairment testing parameters are described under the caption “Impairment test”.

A relative increase in the weighted average cost of capital (WACC) of 10 percent as a result of changes in capital market interest rates would not result in an additional impairment loss in 2010 (2009: € 88.6 million).

For further details with regard to impaired intangible assets see note “(5.1) Intangible assets”.

(b) Impairment testing of deferred tax assets
Deferred tax assets may only be recognised if it is probable that sufficient taxable income will be available in the future. Deferred taxes are calculated on the basis of the tax rates applicable on the date when temporary differences are likely to be reversed. If these expectations were not met, a write-down would have to be recognised in income for the deferred tax assets. For further details, see note "(5.12) Deferred taxes, current taxes".

(c) Valuation of provisions for pensions and other post-employment benefits
The valuation of provisions for pensions and other post-employment benefits is subject, among other things, to actuarial assumptions about discount rates, expected return on plan assets, salary trends, pension trends and medical trends. Pension obligations are valued at each reporting date. The actual data may differ from these assumptions as a result of changes in economic or market conditions.

A reduction of 0.25 percent in the discount rate would increase the present value of the defined benefit obligation by € 6.3 million. Conversely, increasing the discount rate by 0.25 percent would decrease the defined benefit obligation by € 5.5 million.

If the trend in health-care costs were to increase by one percentage point, the accumulated health-care benefit obligation would increase by € 0.8 million and pension expense would increase by € 0.1 million. Conversely, a reduction of one percentage point in the cost trend would reduce the accumulated health-care obligation by € 0.7 million and personnel expense by € 0.1 million.

As Carbon Black applies the so-called corridor approach, the volatility resulting from the changes in those parameters is however mitigated. For further details see note "(5.8) Provisions for pensions and other post-employment benefits".

(d) Valuation of other provisions
Other provisions, especially provisions for recultivation and environmental protection, litigation risks and restructuring are naturally exposed to significant forecasting uncertainties regarding the level and timing of the obligation. Carbon Black has to make assumptions about the probability of occurrence of an obligation or future trends, such as value of the costs, on the basis of experience. Non-current provisions in particular are exposed to forecasting uncertainties. In addition, the level of non-current provisions depends to a large extent on the selection and development of the market-oriented discount rate,see also note "(5.9) Other provisions".

(4) Notes to the income statement

(4.1) Sales

in € million	2010	2009	2008
Revenues from the sale of goods	1,184.4	837.8	1,184.1
Revenues from licences	1.6	1.6	1.6
Other revenues	0.2	0.1	0.3
	1,186.2	**839.5**	**1,186.0**

Total sales by region are divided by the location of customer. They comprise:

in € million	2010	2009	2008
North America	259.8	185.0	280.5
South Korea	191.3	126.2	155.9
Europe (excl. Germany, Spain, Italy, France)	160.1	128.4	164.0
Germany	158.4	103.9	160.6
China	85.4	69.8	57.1
South Africa	63.5	47.1	54.2
Spain	44.3	31.8	58.6
Brazil	44.2	27.2	58.0
Italy	39.8	28.9	49.5
France	25.8	30.4	57.3
Other countries	113.6	60.8	90.3
	1,186.2	**839.5**	**1,186.0**

(4.2) Other operating income

in € million	2010	2009	2008
Income from disposal of assets	0.2	0.1	1.5
Income from reversal of provisions	1.9	0.0	0.2
Income from the measurement of derivatives	5.0	4.4	3.5
Gains of currency translation of monetary assets and liabilities	6.2	6.5	22.6
Other income	5.0	6.9	8.6
	18.3	**17.9**	**36.4**

Gains on currency translation in 2008 mainly relate to Korea due to strong fluctuations and a resulting strong depreciation of the Korean Won against the US Dollar in 2008. The strong fluctuations of the Korean Won to the US Dollar resulted in gains from foreign currency receivables and payables. In addition, since foreign currency receivables were hedged, gains and losses from hedging instruments were also recorded in 2008 (see also note "(4.4) Other operating expenses" on corresponding foreign currency losses in Korea in 2008).

(4.3) Income from reversal of impairments on non-current assets

The income from reversals of impairment losses in accordance with IAS 36 “Impairment of Assets” is € 19.0 million (2009: € 0, 2008: € 0). The reversals relate to the following line items:

in € million	2010	2009	2008
Land, equivalent rights and buildings	6.3	0.0	0.0
Plant and machinery	5.6	0.0	0.0
Other facilities, furniture and office equipment	0.3	0.0	0.0
Prepayments and constructions in progress	6.8	0.0	0.0
	19.0	**0.0**	**0.0**

The reversal of the impairment loss resulted from the improved long-term market outlook for carbon blacks following the speedy economic recovery, particularly in the automotive industry, in 2010.

(4.4) Other operating expenses

in € million	2010	2009	2008
Losses on the disposal of assets	0.4	0.3	0.2
Losses on the measurement of derivatives	5.4	6.7	2.5
Losses on currency translation of monetary assets and liabilities	6.4	7.2	27.9
Expenses for restructuring	0.8	0.1	0.0
Expenses for recultivation and environmental protection	0.6	0.2	1.1
Other additions to provisions	0.5	19.4	2.9
Other allowances	1.1	0.7	0.0
Costs for registration	0.2	0.1	0.0
Miscellaneous tax expense	0.1	0.0	0.2
Other expenses	9.1	11.8	7.5
	24.6	**46.5**	**42.3**

In 2009 other additions to provisions mainly include a provision for restructuring in the Netherlands relating to a closure of Carbon Black facilities in 2010 in an amount of € 18.7 million.

Due to strong fluctuations and a resulting strong depreciation of the Korean Won against the US Dollar in 2008, gains and losses were recognised on foreign currency receivables and payables as well as on foreign currency hedging instruments. The resulting valuation losses on trade receivables and payables as well as on hedging instruments are set out above (refer also to note “(4.2) Other operating income” on corresponding gains).

The other expenses mainly comprise expenses for outsourcing, IT, insurance contributions, M&A projects, energy and supplies, commission payments, and legal and consultancy fees.

(4.5) Impairment loss on non-current assets

The impairment losses in accordance with "IAS 36 Impairment of Assets" of € 6.0 million (2009: € 108.9 million, 2008: € 90.9 million) relate to the following line items:

in € million	2010	2009	2008
Goodwill	0.0	107.0	0.0
Intangible assets	4.3	0.0	0.0
Land, equivalent rights and buildings	1.3	0.0	16.2
Plant and machinery	0.4	1.9	65.9
Other facilities, furniture and office equipment	0.0	0.0	2.0
Prepayments and constructions in progress	0.0	0.0	6.8
	6.0	**108.9**	**90.9**

(4.6) Net interest expense

in € million	2010	2009	2008
Income from loans	0.4	0.2	0.7
Other interest-type income	0.4	0.3	0.3
Interest income	**0.8**	**0.5**	**1.0**
Interest expense on financial liabilities	14.6	10.0	13.3
Other interest-type expense	0.1	0.0	0.4
Net interest expense from pension	1.8	1.9	1.3
Interest expense on accrued interest on other provisions	0.7	0.1	0.1
Interest expense	**17.2**	**12.0**	**15.1**
	-16.4	**-11.5**	**-14.1**

Borrowing costs of € 1.8 million (2009: € 2.3 million, 2008: € 2.8 million) are capitalised. The underlying cost of financing is 2.5 percent for 2010 and 2009 (2008: 3.85 percent).

(4.7) Result from investments recognised at equity

in € million	2010	2009	2008
Income from measurement at equity	0.4	0.4	0.4
	0.4	**0.4**	**0.4**

The income is in respect of Kommanditgesellschaft Deutsche Gasrußwerke GmbH & Co. KG.

(4.8) Income taxes

Income tax expenses (income) is comprised of the following:

in € million	2010	2009	2008
Current income taxes	−16.4	−3.5	−11.7
(thereof for prior years)	0.2	0.7	0.8
Deferred income taxes	−12.7	8.1	20.4
(thereof for prior years)	0.2	0.1	0.0
	−29.1	4.6	8.7

The tax reconciliation shows the development of expected income taxes relative to the effective income taxes stated in the income statement. The effective income taxes include other income taxes and deferred taxes. In all years the expected income taxes are based on an overall tax rate of 30 percent, comprising German corporation tax of 15 percent, a solidarity surcharge of 5.5 percent and the average trade tax rate.

in € million	2010	2009	2008
Income before income taxes	**72.4**	**−168.3**	**−112.1**
Expected income taxes (group tax rate)	−21.7	50.5	33.6
Variances due to differences in the assessment base for trade tax	0.0	–	−0.3
Deviation from the expected tax rate	4.4	3.1	4.6
Changes in valuation allowances on deferred taxes	18.9	−0.7	−25.6
Losses not affecting deferred taxes and the use of loss carryforwards	−22.8	−18.7	−5.6
Changes in tax rates and tax legislation	0.0	0.7	1.1
Non-deductible expenses	−0.5	−0.2	−0.2
Injection of capital from outside Carbon Black	−8.0	–	–
Tax-free income	0.1	0.4	0.3
Result from investments recognised at equity	0.0	0.0	0.0
Goodwill-Impairment	–	−32.1	–
Prior year income taxes	0.4	0.8	0.8
Other	0.1	0.8	0.0
Effective income taxes (current and deferred taxes)	**−29.1**	**4.6**	**8.7**
Effective income tax rate (in percent)	40.2%	2.7%	7.8%

The change in the valuation allowances on deferred taxes is principally due to the adjustment of deferred tax assets. Both the changes in the valuation allowance and the losses not affecting deferred taxes are mainly related to the US entities. In 2010, the Carbon Black business received a cash contribution (injection of capital) from Evonik group that was used to reimburse restructuring costs of the Dutch entity and that had to be considered as income for tax purposes. According to IAS 12.66, the € 107 million goodwill impairment loss recorded in 2009 was not relevant to the determination of deferred taxation.

(4.9) Additional information on personnel expenses and amortisation and depreciation

in € million	2010	2009	2008
Personnel expenses	121.2	105.6	115.6
	121.2	105.6	115.6

Net interest expense from pensions is included as a line item in net interest expense (see note "(4.6) Next interest expense").

In 2010 personnel expenses increased mainly due to salary increases as well as increases in variable salary components (e.g.: employee bonuses) as a result of the improved operating performance in 2010.

Personnel expenses decreased in 2009 mainly due to a restrictive policy on employee bonus payments and headcount reductions.

in € million	2010	2009	2008
Amortisation	9.0	11.1	13.0
Depreciation	38.4	36.0	49.9
	47.4	47.1	62.9

The reduction in depreciation in 2009 compared to 2008 is due to the € 90.9 million of fixed asset impairments recorded in December 2008. See note "(2.7) Accounting policies" and note "(4.5) Impairment loss on non-current assets".

(5) Notes to the balance sheet

(5.1) Intangible assets

in € million	Goodwill	Trademarks	Development costs	Other intangible assets and prepayments	Total
Historical costs					
As of Jan 1, 2008	**219.1**	**27.8**	**3.1**	**66.1**	**316.1**
Foreign currency translation	0.0	0.0	0.0	−0.3	−0.3
Additions	0.0	0.0	0.0	0.3	0.3
Disposals	0.0	0.0	0.0	−0.1	−0.1
Reclassifications	0.0	0.0	0.0	0.0	0.0
As of Dec 31, 2008	**219.1**	**27.8**	**3.1**	**66.0**	**316.0**
Foreign currency translation	0.0	0.0	0.0	0.1	0.1
Additions	0.0	0.0	0.0	0.4	0.4
Disposals	0.0	0.0	0.0	−0.5	−0.5
Reclassifications	0.0	0.0	0.0	0.0	0.0
As of Dec 31, 2009	**219.1**	**27.8**	**3.1**	**66.0**	**316.0**
Foreign currency translation	0.0	0.0	0.0	0.2	0.2
Additions	0.0	0.0	0.0	1.4	1.4
Disposals	0.0	0.0	0.0	−1.9	−1.9
Reclassifications	0.0	0.0	0.0	0.0	0.0
As of Dec 31, 2010	**219.1**	**27.8**	**3.1**	**65.7**	**315.7**
Depreciation and impairment losses					
As of Jan 1, 2008	**0.0**	**0.0**	**0.0**	**−5.6**	**−5.6**
Foreign currency translation	0.0	0.0	0.0	0.3	0.3
Amortisation	0.0	0.0	−0.5	−12.5	−13.0
Impairment losses	0.0	0.0	0.0	0.0	0.0
Reversals	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.1	0.1
Reclassifications	0.0	0.0	0.0	0.0	0.0
As of Dec 31, 2008	**0.0**	**0.0**	**−0.5**	**−17.7**	**−18.2**
Foreign currency translation	0.0	0.0	0.0	−0.1	−0.1
Amortisation	0.0	0.0	−1.0	−10.1	−11.1
Impairment losses	−107.0	0.0	0.0	0.0	−107.0
Reversals	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.5	0.5
Reclassifications	0.0	0.0	0.0	0.0	0.0
As of Dec 31, 2009	**−107.0**	**0.0**	**−1.5**	**−27.4**	**−135.9**
Foreign currency translation	0.0	0.0	0.0	−0.2	−0.2
Amortisation	0.0	0.0	−0.3	−8.7	−9.0
Impairment losses	0.0	0.0	0.0	−4.3	−4.3
Reversals	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	1.9	1.9
Reclassifications	0.0	0.0	0.0	0.0	0.0
As of Dec 31, 2010	**−107.0**	**0.0**	**−1.8**	**−38.7**	**−147.5**
Net book value as of Dec 31, 2008	**219.1**	**27.8**	**2.6**	**48.3**	**297.8**
Net book value as of Dec 31, 2009	**112.1**	**27.8**	**1.6**	**38.6**	**180.1**
Net book value as of Dec 31, 2010	**112.1**	**27.8**	**1.3**	**27.0**	**168.2**

Trademarks were capitalised as part of the pushdown of purchase price allocation effects from the acquisition of the former Degussa AG by RAG Beteiligungs-GmbH, the predecessor of Evonik. The trademarks pushed-down to Carbon Black have an indefinite useful life as there are no restrictions on their use. They are tested annually for impairment and it is checked that their useful life is still indefinite.

Capitalised development costs mainly relate to the purchase price allocation for the former acquisition of the former Degussa AG in 2003 and 2004 and the related recognition of in-process R&D projects.

As in previous years, as of December 31, 2010 there were no intangible assets to which title was restricted and no commitments to purchase intangible assets.

(5.2) Property, plant and equipment

in € million	Land and equivalent rights and buildings	Plant and machinery	Other facilities, furnitures etc.	Prepayments and constructions in progress	Total
Historical costs					
As of Jan 1, 2008	**203.3**	**788.3**	**63.4**	**32.6**	**1,087.6**
Foreign currency translation	−11.5	−32.7	−2.9	−2.1	−49.2
Additions	0.5	6.5	2.2	28.9	38.1
Disposals	−0.4	−19.4	−2.5	0.0	−22.3
Reclassifications	3.3	28.0	1.2	−32.5	0.0
As of Dec 31, 2008	**195.2**	**770.7**	**61.4**	**26.9**	**1,054.2**
Foreign currency translation	4.4	21.4	1.6	1.4	28.8
Additions	0.1	4.5	0.5	14.8	19.9
Disposals	−0.2	−17.0	−1.5	−0.6	−19.3
Reclassifications	1.2	20.6	−0.8	−21.0	0.0
As of Dec 31, 2009	**200.7**	**800.2**	**61.2**	**21.5**	**1,083.6**
Foreign currency translation	8.8	37.8	2.3	1.6	50.5
Additions	1.1	1.6	0.7	24.3	27.7
Disposals	−0.1	−9.2	−5.5	0.0	−14.8
Reclassifications	−11.1	38.1	1.2	−28.2	0.0
As of Dec 31, 2010	**199.4**	**868.5**	**59.9**	**19.2**	**1,147.0**
Depreciation and Impairment losses					
As of Jan 1, 2008	**−72.8**	**−485.8**	**−55.0**	**−0.2**	**−613.8**
Foreign currency translation	1.6	19.1	2.4	0.3	23.4
Depreciation	−6.1	−40.9	−2.9	0.0	−49.9
Impairment loss	−16.2	−65.9	−2.0	−6.8	−90.9
Reversal	0.0	0.0	0.0	0.0	0.0
Disposal	0.3	17.1	2.2	0.0	19.6
Reclassification	0.0	−0.2	0.1	0.1	0.0
As of Dec 31, 2008	**−93.2**	**−556.6**	**−55.2**	**−6.6**	**−711.6**
Foreign currency translation	−0.6	−9.8	−1.4	−0.9	−12.7
Depreciation	−4.7	−29.7	−1.6	0.0	−36.0
Impairment loss	0.0	−1.9	0.0	0.0	−1.9
Reversal	0.0	0.0	–	0.0	0.0
Disposal	0.1	14.5	1.0	1.4	17.0
Reclassification	0.5	−1.9	1.4	0.0	0.0
As of Dec 31, 2009	**−97.9**	**−585.4**	**−55.8**	**−6.1**	**−745.2**
Foreign currency translation	−2.4	−21.5	−1.9	−0.5	−26.3
Depreciation	−4.7	−30.4	−1.7	−1.6	−38.4
Impairment loss	−1.3	−0.4	0.0	0.0	−1.7
Reversal	6.3	5.6	0.3	6.8	19.0
Disposal	0.1	8.0	5.5	0.0	13.6
Reclassification	7.1	−7.1	−0.1	0.1	0.0
As of Dec 31, 2010	**−92.8**	**−631.2**	**−53.7**	**−1.3**	**−779.0**
Net book value as of Dec 31, 2008	**102.0**	**214.1**	**6.2**	**20.3**	**342.6**
Net book value as of Dec 31, 2009	**102.8**	**214.8**	**5.4**	**15.4**	**338.4**
Net book value as of Dec 31, 2010	**106.6**	**237.3**	**6.2**	**17.9**	**368.0**

The carrying amounts of property, plant and equipment pledged as security for Carbon Black liabilities amounted to € 7.9 million (2009: € 0 million, 2008: € 0 million). Furthermore, the carrying amounts of land and equivalent rights and buildings pledged as security for the Evonik group liabilities amounted to € 8.6 million. These liabilities are related party liabilities to other entities of Evonik.

(5.3) Investments recognised at equity and financial assets

in € million	Dec. 31, 2010 Total	Dec. 31, 2010 thereof with a term to maturity of more than 1 year	Dec. 31, 2009 Total	Dec. 31, 2009 thereof with a term to maturity of more than 1 year	Dec. 31, 2008 Total	Dec. 31, 2008 thereof with a term to maturity of more than 1 year
Investments recognised at equity	4.2	4.2	4.2	4.2	4.1	4.1
Shares in affiliates	0.1	0.1	–	–	–	–
Loans to employees	1.6	1.6	1.6	1.6	1.6	1.6
Loans to other companies	54.8	–	21.5	–	18.9	–
Receivables from derivatives	0.9	–	0.5	–	4.4	–
	61.6	5.9	27.8	5.8	29.0	5.7

(a) Investment recognised at equity

The key financial data for Kommanditgesellschaft Deutsche Gasrußwerke GmbH & Co. KG based on Evonik's stake, are as follows:

in € million	2010	2009	2008
Non-current assets as of Dec. 31	14.1	16.3	15.7
Current assets as of Dec. 31	16.3	11.5	12.5
Non-current liabilities as of Dec. 31	1.2	1.2	4.7
Current liabilities as of Dec. 31	24.6	20.9	18.9
Income	46.4	67.0	52.7
Expenses	46.1	66.7	52.3

These data include the 54.35 percent stake in Kommanditgesellschaft Deutsche Gasrußwerke GmbH & Co. KG, Dortmund (Germany). This company is accounted for at equity because Evonik does not have a majority of the voting rights.

(b) Shares in affiliates

The line item includes 50 percent of the shares in Deutsche Gasrußwerke GmbH.

(c) Loans to employees

Loans are exposed to an interest-rate risk which can affect their fair value or future cash flows. They are recognised at cost of acquisition. As of the reporting date, the long-term portion of the loans amount to € 1.6 million (2009: € 1.6 million, 2008: € 1.6 million). Carbon Black did not renegotiate the terms and conditions of any long-term loans. There were no non-impaired loans overdue.

(d) Loans to other companies

Loans to other companies consist predominantly of loans within the cash pooling agreement with the Evonik Group. During the reporting periods the largest portion relates to Carbogal S.A., amounting to € 17.2 million in 2010 (2009: € 14.8 million, 2008: € 13.7 million). Further cash pooling receivables related to Evonik Carbon Black Nederland B.V. (2010: € 30.6 million, 2009: € 6.5 million, 2008: € 5.1 million) and Evonik Carbon Black

Italia S.p.A. (2010: € 5.0 million). For further information regarding the cash pooling agreement and loans granted by the Evonik group, please refer to note “(7.3) Related parties”.

(e) Receivables from derivatives

The breakdown of receivables from derivatives is as follows:

in € million	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Receivables from foreign currency derivatives	0.7	0.1	4.4
Receivables from commodity derivatives	0.2	0.4	–
	0.9	**0.5**	**4.4**

(5.4) Inventories

in € million	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Raw materials and supplies	89.8	88.0	102.2
Work in progress	0.1	0.5	1.5
Finished goods	78.5	57.5	69.6
	168.4	146.0	173.3

In 2010 and 2009 write downs on raw materials and supplies and goods were negligible. In 2008 write downs on raw materials and supplies and goods amounted to € 24.9 million as a result of reduced raw material prices impacting on the net realisable value of inventory on stock. The write downs were recognised in cost of sales. On the other hand, reversals of write downs amounted to € 0.7 million in 2010 and € 0.3 million in 2008 (2009: € 0 million). There were no inventories pledged as security for liabilities in the three respective years.

(5.5) Trade accounts receivable and other receivables

	Dec. 31, 2010		Dec. 31, 2009		Dec. 31, 2008	
in € million	Total	thereof with a term to maturity of more than 1 year	Total	thereof with a term to maturity of more than 1 year	Total	thereof with a term to maturity of more than 1 year
Trade accounts receivable	251.1	–	187.0	–	208.0	–
Advance payments made	2.4	–	0.6	–	0.5	–
Miscellaneous other receivables	23.0	1.1	18.4	6.8	18.4	4.7
Deferred expenses	1.8	–	1.5	–	1.4	–
	278.3	1.1	207.5	6.8	228.3	4.7

Trade accounts receivable totalling € 2.2 million (2009: € 1.1 million, 2008: € 1.3 million) were impaired by € 0.7 million (2009: € 0.3 million, 2008: € 0.5 million). At December 31, 2010, trade accounts receivable overdue but not impaired amounted to € 20.6 million (2009: € 16.5 million, 2008: € 48.0 million).

in € million	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Overdue trade accounts receivable			
up to 3 months	20.3	15.9	43.6
more than 3 months and up to 6 months	0.3	0.0	3.5
more than 6 months and up to 9 months	0.0	0.2	0.5
more than 9 month and up to 12 months	0.0	0.0	0.1
more than 1 year	0.0	0.4	0.3
	20.6	**16.5**	**48.0**

Carbon Black management regularly reviews trade accounts receivables for overdue accounts. Balances overdue by more than 100 days are individually analysed and impaired if needed. As a result of the individual assessment, receivables with an amount of € 0.4 million in 2009 and € 0.3 million in 2008 (amounts in 2010 were negligible) that were overdue by more than one year were not impaired since management still regarded the balances as recoverable.
€ 0.2 million of the receivables overdue by more than 1 year in 2009 relate to Algorax (Pty) Ltd. The amount was due from a now insolvent former customer of the company. In 2009, the receivables were still not impaired because the company had various undertakings (e.g.: extending of terms and trade out of trouble) with the client. In 2010, the company made a bad debt provision and impaired the respective receivable.
The credit quality of the trade accounts receivable and other assets that are neither past due nor impaired is assessed by reference to the counterparty´s historical default rates and payment history.

There were no receivables pledged as security for liabilities in the reporting period.

A reconciliation of credit loss impairments is not provided as the impairment is not recorded in a separate allowance account.

(5.6) Cash and cash equivalents

Cash and cash equivalents totalling € 28.1 million (2009: € 10.2 million, 2008: € 11.3 million) include balances with banks, checks and cash. Cash and cash equivalents have terms of no more than three months on the date of acquisition. There are no cash or cash equivalents pledged as security for group liabilities.

(5.7) Invested equity

Further explanations are described in note “(2) Basis of preparation of the Combined Financial Statements”.

Accumulated other comprehensive income contains gains and losses that are not included in the income statement. The reserve for unrealised gains and losses on hedging instruments comprises changes in the fair value of the effective portion of cash flow hedges.

The reserve for currency translation adjustment comprises differences arising from the translation of foreign financial statements.

The changes in accumulated other comprehensive income (OCI) were as follows:

in € million	Gains/losses on heding instruments	Currency translation adjustment	Total
As of January 1, 2008	**0.1**	**2.4**	**2.5**
Other comprehensive income as in the statement of comprehensive income	**−18.7**	**−35.6**	**−54.3**
Gains/losses included in OCI	−26.0	–	−26.0
Deferred taxes thereon	7.4	–	7.4
Amounts reclassified to the income statement	−0.1	–	−0.1
Deferred taxes thereon	0.0	–	0.0
Currency translation adjustment	–	−35.6	−35.6
Other changes	**0.0**	**0.0**	**0.0**
As of December 31, 2008	**−18.6**	**−33.2**	**−51.8**
Other comprehensive income as in the statement of comprehensive income	**18.9**	**23.9**	**42.8**
Gains/losses included in OCI	0.4	–	0.4
Deferred taxes thereon	−0.1	–	−0.1
Amounts reclassified to the income statement	26.0	–	26.0
Deferred taxes thereon	−7.4	–	−7.4
Currency translation adjustment	–	23.9	23.9
Other changes	**0.0**	**−0.2**	**−0.2**
As of December 31, 2009	**0.3**	**−9.5**	**−9.2**
Other comprehensive income as in the statement of comprehensive income	**0.0**	**11.5**	**11.5**
Gains/losses included in OCI	0.4	–	0.4
Deferred taxes thereon	−0.1	–	−0.1
Amounts reclassified to the income statement	−0.4	–	−0.4
Deferred taxes thereon	0.1	–	0.1
Currency translation adjustment	–	11.5	11.5
Other changes	**0.0**	**0.0**	**0.0**
As of December 31, 2010	**0.3**	**2.0**	**2.3**

The changes in accumulated other comprehensive income (OCI) relating to non-controlling interests were as follows:

in € million	Gains/losses on heding instruments	Currency translation adjustment	Total
As of January 1, 2008	0,0	–1,9	–1,9
Other comprehensive income as in the statement of comprehensive income	0,0	0,6	0,6
Gains/losses included in OCI	–	–	–
Deferred taxes thereon	–	–	–
Currency translation adjustment	–	0,6	0,6
Other changes	0,0	0,0	0,0
As of December 31, 2008	0,0	–1,3	–1,3
Other comprehensive income as in the statement of comprehensive income	0,0	0,1	0,1
Gains/losses included in OCI	–	–	–
Deferred taxes thereon	–	–	–
Currency translation adjustment	–	0,1	0,1
Other changes	0,0	0,2	0,2
As of December 31, 2009	0,0	–1,0	–1,0
Other comprehensive income as in the statement of comprehensive income	0,0	1,2	1,2
Gains/losses included in OCI	–	–	–
Deferred taxes thereon	–	–	–
Currency translation adjustment	–	1,2	1,2
Other changes	0,0	0,0	0,0
As of December 31, 2010	0,0	0,2	0,2

(5.8) Provisions for pensions and other post-employment benefits

Provisions for pensions are established to cover benefit plans for retirement, disability and surviving dependents' pensions. The benefit obligations vary depending on the legal, tax and economic circumstances in the various countries in which the companies operate. The level of the benefit obligations generally depends on length of service and remuneration.

Germany accounted for around 59.0 percent (2009: 61.1 percent, 2008: 58.1 percent) and thus the vast majority of provisions for pensions on the reporting date.

At the German companies, occupational pension plans are predominantly defined benefit plans. They are primarily funded by provisions and as well as plan assets administered via a pension fund.

The pension plans at foreign entities may be either defined contribution or defined benefit plans.

The table shows the expected return on plan assets and the weighted average assumptions used for the actuarial valuation of the obligations:

in %	Carbon Black 2010	Carbon Black 2009	Carbon Black 2008	Germany 2010	Germany 2009	Germany 2008
Discount rate as of 31.12.	5.01	5.62	6.15	5.00	5.50	6.00
Salary trend	2.82	2.87	3.05	2.50	2.50	2.50
Pension trend	2.31	2.28	2.33	2.00	2.00	2.00
Expected return on plan assets	5.16	5.45	5.86	5.00	5.00	5.00
Medical trend	8.00	7.50	8.00	–	–	–

The expected return on plan assets is derived from published capital market reports and forecasts and in-house experience for each class of assets.

The present value of the defined benefit obligation changed as follows:

in € million	2010	2009	2008
Defined benefit obligation 01.01.	122.3	110.8	118.5
Current service cost	5.0	4.6	4.6
Interest cost	6.8	6.6	6.6
Employee contributions	0.5	0.3	0.4
Actuarial gains and losses	11.5	3.9	−7.8
Benefit payments	−6.2	−3.4	−3.2
Past service costs	0.0	0.1	0.0
Divestments/Acquisitions	−7.8	−0.2	−8.5
Currency effects	2.3	−0.4	0.2
Defined benefit obligation 31.12.	134.4	122.3	110.8

The fair value of the plan assets changed as follows:

in € million	2010	2009	2008
Fair value of plan assets 01.01.	91.3	81.4	89.7
Expected return on plan assets	5.0	4.7	5.2
Employer contributions	6.2	5.1	5.3
Employee contributions	0.5	0.3	0.4
Actuarial gains and losses	3.7	2.7	−10.3
Benefit payments from plan assets	−5.6	−2.9	−2.7
Divestments/Acquisitions	−4.4	0.1	−5.9
Currency effects	1.8	−0.1	−0.3
Fair value of plan assets 31.12.	98.5	91.3	81.4

The actual return on plan assets was € 8.7 million in fiscal year 2010 (2009: € 7.4 million, 2008: € 5.1 million). Employer contributions of € 5.0 million are expected to be incurred in 2011.

Divestments in the defined benefit obligation and plan assets are solely due to the transfer out of pension obligations towards non-active employees in Germany.

The next table shows the present value of all defined benefit obligations, the fair value of plan assets, the funded status and experience adjustments to actuarial gains (+) and losses (-) for the defined benefit obligation and plan assets over time:

in € million	2010	2009	2008
Defined benefit obligation 31.12.	134.4	122.3	110.8
Fair value of plan assets 31.12.	98.5	91.3	81.4
Funded status 31.12.	35.9	31.0	29.4
Experience adjustments on defined benefit obligation	-3.2	-1.9	3.5
Experience adjustments on plan assets	3.7	2.7	-10.3

The funded status, which is defined as the difference between the present value of the defined benefit obligation and the fair value of the plan assets, is reconciled with the pension provisions shown in the balance sheet as follows:

in € million	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Defined benefit obligation	134.4	122.3	110.8
Fair value of plan assets	98.5	91.3	81.4
Funded status	35.9	31.0	29.4
Unrecognised past service cost	-0.1	-0.1	0.0
Unrecognised actuarial gains and losses	-9.9	-6.2	-6.2
Other changes (including asset ceiling and IFRIC 14)	0.0	3.3	4.0
Net amount recognized on balance sheet	**25.9**	**28.0**	**27.2**
Pension asset	0.7	0.6	0.5
Pension liability	26.6	28.6	27.7

As of the reporting date, € 73.2 million (2009: € 64.0 million, 2008: € 56.5 million) of the present value of all defined benefit obligations was unfunded and € 53.8 million (2009: € 53.2 million, 2008: € 49.4 million) was fully or partially funded. In addition, there were health-care obligations totalling € 7.4 million (2009: € 5.1 million, 2008: € 4.9 million). For an explanation of the impact of changes in the cost trends in the health-care sector, see note "(3) Discussion of assumption and estimation uncertainties".

The fair value of plan assets totalling € 98.5 million on the reporting date (2009: € 91.3 million, 2008 € 81.4 million) was split as follows: 5.5 percent (2009: 9.7 percent, 2008: 10.3 percent) in shares, 60.5 percent (2009: 57.3 percent, 2008: 53.5 percent) in debt instruments, 0.0 percent (2009: 0.6 percent, 2008: 1.2 percent) in real estate and 34.0 percent (2009: 32.5 percent, 2008: 35.0 percent) in other assets. On the reporting date, € 27.9 million (2009: € 23.4 million, 2008: € 21.7 million) was invested in real estate or other assets used by Carbon Black.

The pension provisions include entitlements of retirees of US companies to receive health-care benefits.

The cumulative actuarial loss was € 9.9 million (2009: € 6.3 million, 2008: € 6.2 million) and thus outside the permitted corridor in some cases. The corridor and amortisation are calculated separately for each plan recognised.

The total expense for the defined benefit obligation is broken down as follows:

in € million	2010	2009	2008
Current service cost	5.0	4.6	4.6
Interest cost	6.8	6.6	6.6
Expected return on plan assets	–5.0	–4.7	–5.2
Amortisation	4.3	1.0	–1.4
Losses from settlements and curtailments	0.0	0.0	0.0
Effect from asset ceiling	–3.3	–0.6	1.7
Pension expense net	**7.8**	**6.9**	**6.3**

Preventive health-care benefits accounted for € 0.7 million of the total expense (2009: € 0.4 million, 2008: € 0.2 million).

Interest cost and the expected return on plan assets are included in net interest expense, see note "(4.6) Net interest expense", while the other amounts are allocated to the functional areas as personnel expense (pension expenses).

A total of € 1.1 million (2009: € 0.6 million, 2008: € 0.6 million) was paid into foreign defined-contribution plans, which are also included in personnel expense (pension expenses).

Further, € 6.1 million (2009: € 5.1 million, 2008: € 6.0 million) was paid into defined-contribution state plans (statutory pension insurance). This is reported in personnel expense (expenses for social security contributions).

(5.9) Other provisions

	Dec. 31, 2010		Dec. 31, 2009		Dec. 31, 2008	
in € million	Total	term to maturity of more than 1 year	Total	term to maturity of more than 1 year	Total	term to maturity of more than 1 year
Personnel-related	29.5	17.0	25.7	17.9	24.1	15.5
Recultivation and environmental protection	1.9	1.6	1.9	1.3	3.1	2.3
Restructuring	13.5	0.0	20.9	0.7	0.8	0.0
Sales and procurement	2.7	0.0	2.8	0.0	3.9	0.0
Other obligations	8.6	6.8	8.2	5.6	7.6	4.0
	56.2	25.4	59.5	25.5	39.5	21.8

Other obligations include "provisions for other taxes and interest on taxes", "dismantling obligations" as well as other miscellaneous obligations.

Other provisions changed as follows in fiscal years 2008 to 2010:

in € million	Personnel-related	Recultivation and environmental protection	Restructuring	Sales and procurement	Other obligations	Total
As of Jan 1, 2008	**24.5**	**5.1**	**0.1**	**6.1**	**10.3**	**46.1**
Additions	5.5	0.0	0.7	3.3	3.7	13.2
Utilisation	–9.2	–1.0	0.0	–3.7	–6.6	–20.5
Reversal	0.0	0.0	0.0	–2.2	–0.2	–2.4
Addition of accrued interest, interest rate adjustments	6.1	0.2	0.0	0.0	0.0	6.3
Other	–2.8	–1.2	0.0	0.4	0.4	–3.2
As of Jan. 1, 2009	**24.1**	**3.1**	**0.8**	**3.9**	**7.6**	**39.5**
Additions	12.1	0.0	20.8	2.6	3.2	38.7
Utilisation	–9.1	–0.9	–0.7	–2.6	–2.6	–15.9
Reversal	–0.5	0.0	0.0	–1.1	–0.4	–2.0
Addition of accrued interest, interest rate adjustments	0.9	–0.3	0.0	0.0	0.1	0.7
Other	–1.8	0.0	0.0	0.0	0.3	–1.5
As of Dec. 31, 2009	**25.7**	**1.9**	**20.9**	**2.8**	**8.2**	**59.5**
Additions	8.9	0.0	0.2	1.7	2.0	12.8
Utilisation	–3.8	–0.3	–6.2	–1.1	–2.4	–13.8
Reversal	–0.6	0.0	–1.3	–0.5	–0.1	–2.5
Addition of accrued interest, interest rate adjustments	0.4	0.1	0.0	0.0	0.1	0.6
Other	–1.1	0.2	–0.1	–0.2	0.8	–0.4
As of Dec. 31, 2010	**29.5**	**1.9**	**13.5**	**2.7**	**8.6**	**56.2**

Personnel-related provisions are established for a number of different reasons and include provisions for bonuses and other variable remuneration, statutory and other early retirement arrangements, unused vacation entitlements, lifetime working arrangements and anniversary bonuses. The vast majority of these provisions will be due for payment within five years.

Provisions are established for recultivation and environmental protection on the basis of laws, contracts and regulatory requirements.

Provisions for restructuring are based on defined restructuring measures. Such measures that are established in a formal plan comprise programmes to which the company is committed and will materially alter one of the company's areas of business activity or the way in which a business activity is carried out. Restructuring provisions may only be established for costs that are directly attributable to the restructuring programme. These include severance packages, redundancy and early retirement arrangements, expenses for the termination of contracts, dismantling and soil reclamation expenses and rents for unused facilities.

The reversal of restructuring provisions in 2010 mainly relates to a € 1.3 million release of a provision for restructuring measures in Germany. As part of a restructuring programme to reduce operating complexity and to improve operating efficiency, a number of different measures were conducted throughout the years 2008 to 2010. Since the programme was almost completed at the end of 2010, a reevaluation of outstanding measures resulted in a release of the restructuring provision.

The provisions for sales and procurement relate principally to guarantee obligations, outstanding commission payments, price discounts and rebates, impending losses and goods and services procured for which no invoice has yet been received. Almost all of these provisions will be utilised within one year.

Provisions for other obligations include dismantling that is not part of a restructuring programme, other taxes and interest on taxes, litigation risks, legal and consultancy expenses, audit expenses, purchase price adjustments, guarantees and indemnities relating to divestment projects.

Provisions for other taxes and interest on taxes mainly comprise property tax, value-added tax and interest obligations relating to all types of taxes. They will give rise to current and non-current payments within five years. Companies in the Carbon Black group are not involved in significant legal disputes, court cases and investigations from fiscal authorities.

(5.10) Financial liabilities

	Dec. 31, 2010		Dec. 31, 2009		Dec. 31, 2008	
in € million	Total	thereof with a term to maturity of more than 1 year	Total	thereof with a term to maturity of more than 1 year	Total	thereof with a term to maturity of more than 1 year
Liabilities to banks	28.4	8.5	13.5	3.2	18.6	5.9
Liabilities from derivatives	2.1	–	1.0	–	28.4	1.3
Other interest-bearing liabilities	146.4	42.9	115.2	18.8	133.9	3.0
Cash pooling	208.8	–	107.5	–	103.3	–
	385.7	51.4	237.2	22.0	284.2	10.2

(a) Liabilities to banks

The liabilities to banks mainly comprise debt outstanding of Evonik Carbon Black Brasil Ltda. amounting to € 21.5 million in 2010 (2009: € 7.4 million, 2008: € 9.3 million). € 8 million of this amount is a note due to Banco WestLB (agreement from July 1, 2010, initial contractual nominal value is BRL 32.5 million) maturing May 2012. Payable interest is the sum of the reference interest rate CDI (Certificado de depósito interfinanciero) and a margin of 2.5 percent.

A balance of € 13 million in 2010 (2009: € 7.4 million, 2008: € 9.3 million) is due to a Brazilian development bank (Banco Nacional de Desenvolvimento Económico e Social “BNDES”) and is separated into four tranches (nominal value of all four tranches is BRL 42.3 million) with different pricing conditions and different due dates (two tranches are due October 2011, the other tranches mature one month earlier). Pricing refers to a local reference interest rate (TJLP, a long term reference, and SELIC, the overnight lending rate of the Brazilian central bank) and is added up to margins of 2.9 percent (for three tranches) and 3.4 percent respectively. The weighted average interest (including margin) over all tranches amounts to 4.75 percent in 2010 (2009: 4.55 percent, 2008: 5.07 percent).

Further, liabilities to banks of € 6.8 million in 2010 (2009: € 4.1 million, 2008: € 2.9 million) result from a rollover short-term banking facility of Qingdao Evonik Chemical Co., Ltd. The agreement between the corporate and the Standard Chartered Bank comprises four facilities, while outstanding debt shall not exceed RMB 90 million. The payable interest rate, which accrues daily and is due on a monthly basis, is 5.103 percent plus the lending rate set by the People´s Bank of China. The bank has at all times the right to require immediate payment and/or cash collateralisation. It also has at all times the right to terminate or suspend the facility. The facility matures of March 30, 2011.

In 2009, Qingdao Evonik Chemical Co., Ltd. paid down all its debt of € 2.9 million outstanding to the Bank of China. The facility was due on March 18, 2009. The applicable interest rate was 8.217 percent p.a. plus a common reference interest rate.

In December 2009, Algorax (Pty), Ltd. entered a Credit Facility Agreement with its shareholders Evonik Industries AG and Industrial Development Corporation of South Africa, Ltd.. Currently, there is no amount drawn (2009: € 1.3 million) from the original nominal value of ZAR 250 million. The facility is due on December 31, 2012 and requires a interest payment of JIBAR (Johannesburg Interbank Agreed Rate) plus 4 percent p.a.

In 2009, Evonik Carbon Black Korea Co., Ltd. had an outstanding loan of € 0.7 million due to the Korean Exchange Bank. The short term loan with a margin of 0.324 percent fell due on January 29, 2010 and was repaid.
Evonik granted a shareholder loan to Evonik Norcarb AB, which amounted to € 1.3 million in December 2008. The loan had no maturity and was granted at market terms and conditions.

(b) Liabilities from derivatives
The breakdown of liabilities from derivatives is as follows:

in € million	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Liabilities from foreign currency derivatives	2.1	1.0	2.4
Liabilities from commodity derivatives	–	–	26.0
	2.1	1.0	28.4

Liabilities from foreign currency derivatives result from Carbon Black’s currency risk management. They represent natural hedges with related foreign currencies receivables or payables.
Liabilities from commodity derivatives result from the hedging activities against fluctuations in the oil price. For further details with regard to derivatives and financial risk management, we refer to note “(7.2) Additional information on financial instruments” below.

(c) Other interest-bearing liabilities

Other interest-bearing liabilities comprise mainly liabilities to Evonik group companies, which are not part of the Carbon Black business line. Significant liabilities in 2010 were a term loan amounting to € 94.4 million (2009: € 87.6 million, 2008: € 90.6 million) of Evonik Carbon Black LLC given by Degussa International Inc and a loan of Evonik Carbon Black Brasil Ltda. granted by Evonik Degussa Brasil Ltda. amounting to € 20.3 million.

(d) Cash pooling

Cash pooling liabilities relate to cash pooling established with former holding companies. The respective amount in 2010 was € 208.8 million (2009: € 107.5 million, 2008: € 103.3 million). The majority relates to cash pooling of Evonik Carbon Black LLC (2010: € 75.4 million, 2009: € 60.4 million, 2008: € 53.8 million) and of Evonik Degussa Carbons Inc (2010: € 48.3 million, 2009: € 44.1 million, 2008: € 45.2 million) with Evonik Degussa Corporation. Since July 2010, Evonik Carbon Black GmbH participates in a cash pooling agreement with Evonik. The respective amount in 2010 was € 77.2 million. The additional cash pooling liabilities at Evonik Carbon Black GmbH in 2010 are the result of the legal carve-out of the Carbon Black business in Germany. Prior to the legal carve-out, intercompany financing at the former Carve-out Entity in Germany could not be clearly attributed to the Carbon Black business. Therefore, no such intercompany debts were allocated in the Combined Financial Statements for 2008 and 2009. Instead, all residual amounts between clearly attributable assets and liabilities were shown as "Invested Equity". For further information on the carve-out implications on cash pooling liabilities please refer to note "(2.7) Accounting policies". For further information regarding basic cash pooling conditions please refer to note "(7.3) Related parties".

(5.11) Trade accounts payable and other payables

	Dec. 31, 2010		Dec. 31, 2009		Dec. 31, 2008	
in € million	Total	thereof with a term of maturity of more than 1 year	Total	thereof with a term of maturity of more than 1 year	Total	thereof with a term of maturity of more than 1 year
Trade accounts payable	129.8	–	92.3	–	60.1	–
Advance payments received	0.1	–	0.1	–	0.1	–
Miscellaneous other payables	13.6	–	10.1	0.1	10.2	–
Deferred income	1.0	–	0.4	–	0.0	–
	144.5	**–**	**102.9**	**–**	**70.4**	**–**

(5.12) Deferred taxes, current taxes

The breakdown of deferred taxes and current taxes reported on the balance sheet by due date is shown in the table:

	Dec. 31, 2010		Dec. 31, 2009		Dec. 31, 2008	
in € million	Total	thereof with a term of maturity of more than 1 year	Total	thereof with a term of maturity of more than 1 year	Total	thereof with a term of maturity of more than 1 year
Deferred tax assets	11.5	9.1	24.5	17.1	27.8	15.8
Current tax receivables	0.6	–	0.5	–	1.2	0.1
Deferred tax liabilities	37.6	37.6	37.3	37.3	41.6	41.2
Current tax liabilities	16.2	–	3.0	0.7	4.8	1.0
	65.9	–	65.3	–	75.4	–

In accordance with IAS 1 "Presentation of Financial Statements", the current elements of deferred taxes are reported on the balance sheet under non-current assets and liabilities.

Deferred taxes relate to the following balance sheet items:

	Deferred tax assets			Deferred tax liabilities		
in € million	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Assets						
Intangible Assets	3.1	3.1	3.5	16.3	28.0	31.0
Tangible Assets	17.2	23.7	24.3	37.5	12.2	12.5
Financial Assets	0.1	0.1	0.1	–	0.1	–
Inventories	1.1	5.5	12.8	0.2	–	–
Receivables, other assets	1.0	0.7	0.4	0.0	–	–
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	9.1	14.0	7.4	3.4	3.3	3.3
Liabilities	0.1	2.8	7.6	0.0	–	0.1
Special items (SoPo) – temporary	–	–	–	0.4	–	–
Tax losses carried forward	7.4	7.1	2.7	0.0	0.0	0.0
Other	0.0	–	–	–	–	–
Deferred taxes	39.1	57.0	58.8	57.8	43.6	46.9
Valuation allowance	–7.4	–26.3	–25.6	0.0	0.0	0.0
Netting	–20.2	–6.2	–5.4	–20.2	–6.2	–5.3
Deferred taxes (net)	11.5	24.5	27.8	37.6	37.3	41.6

Deferred taxes due to changes of temporary differences mainly are shown in profit and loss. The change of net deferred taxes directly shown in equity was – € 7.5 million in 2009 and € 7.4 million in 2008.

In addition to tax loss carry forwards for which deferred taxes were recognised, there are tax losses in an amount of € 6.7 million in 2010 (2009: € 55.4 million, 2008: € 42.2 million) which can be carried forward without limitation in time that are not utilisable and for which no deferred taxes are recognised. However, due to the carve-out assumptions, the separate tax return approach used for determining the tax loss carry forwards leads to the effect that the aforementioned losses include amounts that either have immediately been utilised by non-Carbon Black entities or losses that have been suffered by Carbon Black entities but that cannot be utilised by Carbon Black entities after the legal carve-out. At the end of 2010 losses in an amount of € 3.6 million are available for a potential future utilisation which can be carried forward without limitation in time that are not utilisable and for which no deferred taxes are recognised.

The deferred taxes include net deferred tax assets with regard to entities which suffered losses either in the current or preceding period to which the deferred tax asset relates of € 7.9 million as of December 31, 2010, of € 11.9 million as of December 31, 2009, and of € 9.9 million as of December 31, 2008, because there will be sufficient future taxable profits to offset the deductible temporary differences and utilise any remaining tax loss carry forwards. The deferred taxes are mainly related to the South African and the Chinese entity. Both entities earned taxable profits in 2010.

(6) Notes to the cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Carbon Black business in the three reporting periods. It is broken down into cash flows from operating, investing and financing activities and reflects cash flows from continuing operations as the Carbon Black business has no discontinued operations for the three reporting periods. Interest paid and interest and dividends received are included in operating activities while dividends paid are assigned to financing activities.

(6.1) Cash flow from operating activities

The cash flow from operating activities is calculated using the indirect method. Income before the financial result and income taxes from the continuing operations is adjusted for the effects on non-cash income and expenses and items that are allocated to investing or financing activities. Certain other changes in amounts shown on the balance sheet are calculated and added to the result.

(6.2) Cash flow from investing activities

The cash flow from investing activities includes cash inflows and outflows from investments and divestments of intangible assets, property, plant and equipment.

(6.3) Cash and cash equivalents

The cash and cash equivalents of € 28.1 million (2009: € 10.2 million, 2008: € 11.3 million) comprise the liquid assets of the continuing operations.

(7) Other disclosures

(7.1) Additional information on key performance indicators

To provide additional financial information the Carbon Black business can be split in the following two Product Lines:

Pigment Black

The Product Line Pigment Black comprises the production and sales of highly specialised carbon blacks with specific characteristics such as highly durable pigmentation, UV protection and conductivity. Pigment Black are primarily sold to the coatings, plastics and printing ink industries.

Rubber Black

The Product Line Rubber Black comprises the production and sale of carbon blacks used for reinforcement properties in tires and mechanical rubber goods.

in € million	Pigment Black 2010	Pigment Black 2009	Pigment Black 2008	Rubber Black 2010	Rubber Black 2009	Rubber Black 2008
Sales	347.7	240.9	305.7	838.5	598.6	880.3
Gross profit	132.8	72.5	96.5	120.8	62.2	123.3
EBITDA	95.6	41.6	56.5	48.2	-0.2	48.4

The three key performance indicators (KPI) – "Sales", "Gross Profit" and "EBITDA" – are used by management to present certain additional information that may be helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. The allocation of income and expenses to the Product Lines is based on agreed procedures. Sales are allocated to Product Lines based on invoices. The expense allocation used by each legal entity of the Carbon Black Business differs depending on the respective peculiarities of such legal entity. In general, expenses are allocated to Product Lines based on cost centre and profit centre accounting. Some entities also apply allocation keys primarily based on sales or volume for the cost allocation to Product Lines.

The KPIs per Product Line do not include income and expenses that are considered by management to (a) be extraordinary or non-recurring, (b) refer to corporate center charges or (c) result from the purchase price allocation/asset push-down from the acquisition of the former Degussa group by RAG Beteiligungs-GmbH, the predecessor of Evonik. Therefore these costs are not allocated to the Product Lines. These costs primarily consist of the following:

(a) An inventory write-down of € 24.2 million in 2008 was considered extraordinary and non-recurring. This expense was not allocated to the "Gross Profit" and "EBITDA" KPIs of the Product Lines. In addition expenses that refer to divestments, restructuring measures or plant closures were not allocated. In 2010, those costs mainly comprised divestment project costs of € 1.9 million (2009: € 18.7 million relating to the Botlek closure and € 4.8 million to a restructuring in Germany, 2008: € 3.0 million relating to closure costs of the Aransas Pass and Akron facilities). These costs were not allocated to the "EBITDA" KPI of the Product Lines.

(b) Corporate center charges of € 16.8 million in 2010 (2009: € 16.6 million, 2008 € 22.5 million) were not allocated to the "EBITDA" KPI of the Product Lines. See note "(7.3) Related parties" for a description of these charges.

(c) The effect of the depreciation of the asset push-down from the acquisition of the former Degussa group of € 8.9 million in 2010 (2009: € 10.5 million, 2008: € 12.3 million) was not allocated to the "Gross Profit" KPI of the Product Lines.

The KPIs are defined as follows:

Sales

Sales are defined in accordance with IAS 18.

Gross profit

Gross profit is defined as "gross profit on sales", which is determined as "sales" minus "cost of sales".

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortisation) is defined as "income before financial result and income taxes, continuing operations" adding back "depreciation, amortisation, impairment losses / reversal of impairment losses on non-current assets".

(7.2) Additional information on financial instruments

The income and expenses, gains and losses from financial instruments reflected in the income statement are reported as the net result for each of the valuation categories defined in IAS 39 "Financial Instruments: Recognition and Measurement".

	2010				
in € million	At fair value through profit or loss	Available-for-sale	Loans and receivables	Liabilities at amortised cost	Total
Income from the measurement of derivatives	-1.2	–	–	–	-1.2
Impairment losses/reversals of impairments	–	–	-0.9	–	-0.9
Exchange effect of currency translation	–	–	-0.2	–	-0.2
Net interest expense	–	–	0.4	-14.6	-14.2

in € million	2009 At fair value through profit or loss	Available-for-sale	Loans and receivables	Liabilities at amortised cost	Total
Income from the measurement of derivatives	-2.2	–	–	–	-2.2
Impairment losses/reversals of impairments	–	–	-1.0	–	-1.0
Exchange effects of currency translation	–	–	-0.7	–	-0.7
Net interest expense	–	–	0.2	-10.0	-9.8

in € million	2008 At fair value through profit or loss	Available-for-sale	Loans and receivables	Liabilities at amortised cost	Total
Income from the measurement of derivatives	1.7	–	–	–	1.7
Impairment losses/reversals of impairments	–	–	-0.6	–	-0.6
Exchange effects of currency translation	–	–	-5.3	–	-5.3
Net interest expense	–	–	0.7	-13.5	-12.8

Income from the measurement of derivatives does not include income from derivative financial instruments that qualify for hedge accounting.

Interest income of € 0.4 million (2009: € 0.2 million; 2008: € 0.7 million) relates to financial instruments not allocated to the category at fair value through profit or loss, while interest expense from financial liabilities was € 14.6 million (2009: € 10.0 million; 2008: € 13.5 million). Net interest expense was € 14.2 million in 2010 (2009: € 9.8 million; 2008: € 12.8 million). The remaining balance relates to other interest-related income and expenses.

Classification

The classification of financial instruments that fall within the scope of IFRS 7 Financial Instruments: Disclosures is based on the presentation on the balance sheet. The following table comprises a reconciliation of the carrying amounts of these balance sheet items to the valuation categories defined in IAS 39 "Financial Instruments: Recognition and Measurement" and shows their fair values:

in € million	Dec. 31, 2010 At fair value through profit or loss	Available-for-sale	Loans and receivables	Not allocated to any category	Carrying amounts	Fair value
Financial assets	**0.7**	**0.1**	**56.4**	**0.2**	**57.4**	
Other investments	–	0.1	–	–	0.1	0.1
Loans	–	–	1.6	–	1.6	1.6
Receivables from derivatives	0.7	–	–	0.2	0.9	0.9
Other financial assets	–	–	54.8	–	54.8	54.8
Trade accounts receivables	–	–	**251.1**	–	**251.1**	**251.1**
Cash and cash equivalents	–	–	**28.1**		**28.1**	**28.1**
	0.7	**0.1**	**335.6**	**0.2**	**336.6**	

in € million	Dec. 31, 2010 Liabilities at fair value	Liabilities at amortised cost	Not allocated to any category	Carrying amounts	Fair value
Financial liabilities	**2.1**	**383.6**	**–**	**385.7**	
Liabilities to banks	–	28.4	–	28.4	28.4
Liabilities from derivatives	2.1	–	–	2.1	2.1
Other interest-bearing liabilities incl. cash pooling	–	355.2	–	355.1	355.1
Trade accounts payable	**–**	**129.8**	**–**	**129.8**	**129.8**
	2.1	**513.4**	**–**	**515.5**	

in € million	Dec. 31, 2009 At fair value through profit or loss	Available-for-sale	Loans and receivables	Not allocated to any category	Carrying amounts	Fair value
Financial assets	**0.1**	**0.0**	**23.1**	**0.4**	**23.6**	
Other investments	–	0.0	–	–	0.0	0.0
Loans	–	–	1.6	–	1.6	1.6
Receivables from derivatives	0.1	–	–	0.4	0.5	0.5
Other financial assets	–	–	21.5	–	21.5	21.5
Trade accounts receivables	**–**	**–**	**187.0**	**–**	**187.0**	**187.0**
Cash and cash equivalents	**–**	**–**	**10.2**	**–**	**10.2**	**10.2**
	0.1	**0.0**	**220.3**	**0.4**	**220.8**	

in € million	Dec. 31, 2009 Liabilities at fair value	Liabilities at amortised cost	Not allocated to any category	Carrying amounts	Fair value
Financial liabilities	**1.0**	**236.2**	**–**	**237.2**	
Liabilities to banks	–	13.5	–	13.5	13.5
Liabilities from derivatives	1.0	–	–	1.0	1.0
Other interest-bearing liabilities incl. cash pooling	–	222.7	–	222.7	222.7
Trade accounts payable	**–**	**92.3**	**–**	**92.3**	**92.3**
	1.0	**328.5**	**–**	**329.5**	

in € million	Dec. 31, 2008 At fair value through profit or loss	Available-for-sale	Loans and receivables	Not allocated to any category	Carrying amounts	Fair value
Financial assets	**4.4**	**0.0**	**20.5**	**–**	**24.9**	
Other investments	–	0.0	–	–	0.0	0.0
Loans	–	–	1.6	–	1.6	1.6
Receivables from derivatives	4.4	–	–	–	4.4	4.4
Other financial assets	–	–	18.9	–	18.9	18.9
Trade accounts receivables	**–**	**–**	**208.0**	**–**	**208.0**	**208.0**
Cash and cash equivalents	**–**	**–**	**11.3**	**–**	**11.3**	**11.3**
	4.4	**0.0**	**239.8**	**–**	**244.2**	

in € million	Dec. 31, 2008 Liabilities at fair value	Liabilities at amortised cost	Not allocated to any category	Carrying amounts	Fair value
Financial liabilities	**2.4**	**255.8**	**26.0**	**284.2**	
Liabilities to banks	–	18.6	–	18.6	18.6
Liabilities from derivatives	2.4	–	26.0	28.4	28.4
Other interest-bearing liabilities incl. cash pooling	–	237.2	–	237.2	237.2
Trade accounts payable	**–**	**60.1**	**–**	**60.1**	**60.1**
	2.4	**315.9**	**26.0**	**344.3**	

The derivative financial instruments that are included in hedge accounting are not allocated to any of the categories defined in IAS 39 “Financial Instruments: Recognition and Measurement”.

The net carrying amount of non-current receivables (loans to employees) corresponds to their fair value. The assumption used to calculate the fair value of loans, liabilities to banks and loans from non-banks is a risk-adjusted interest rate. In all cases the fair value of the financial instruments recognised on the balance sheet is their carrying amount on the reporting date. This is due to the fact that these liabilities bear interest at variable interest rates based on the respective interest rate index of the corresponding maturity and the corresponding currency.

Other interest-bearing liabilities comprise mainly cash pooling and liabilities to Evonik group companies, (2010: € 355.1 million; 2009: € 222.7 million; 2008: € 237.3 million). Significant positions were a loan amounting to € 94.4 million in 2010 (2009: € 87.6; 2008: € 90.6 million) to Evonik Carbon Black LLC given by Degussa International Inc. and a loan to Evonik Carbon Black Brasil Ltda. granted by Evonik Degussa Brasil Ltda. amounting to € 20.3 million in 2010. Please also refer to note "(7.3) Related parties" for further details regarding cash pooling.

Fair value hierarchy

Fair value measurement is based on three-level fair value hierarchy. The fair value is the quoted price on an active market (Level 1). If such price data are not available, either the quoted price on an active market for similar financial instruments should be used, or a different valuation method based on inputs from observable market data should be used (Level 2). In all other cases, valuation methods should be used that are not based on observable market data (Level 3). Discounted cash flow analyses or option pricing models have been selected as established valuation methods. The table shows the allocation of financial instruments subsequently measured at fair value to the three levels of the fair value hierarchy:

in € million	Dec. 31, 2010 Fair Value	Level 1 [1]	Level 2 [2]	Level 3 [3]
Financial Assets	**0.9**	**0.0**	**0.9**	**0**
Receivables from derivative financial instruments	0.9	–	0.9	–
Financial Liabilities	**2.1**	**0.0**	**2.1**	**0**
Liabilities from derivative financial instruments	2.1	–	2.1	–

in € million	Dec. 31, 2009 Fair Value	Level 1 [1]	Level 2 [2]	Level 3 [3]
Financial Assets	**0.5**	**0.0**	**0.5**	**0**
Receivables from derivative financial instruments	0.5	–	0.5	–
Financial Liabilities	**1.0**	**0.0**	**1.0**	**0**
Liabilities from derivative financial instruments	1.0	–	1.0	–

in € million	Dec. 31, 2008 Fair Value	Level 1 [1]	Level 2 [2]	Level 3 [3]
Financial Assets	**4.4**	**0.0**	**4.4**	**0**
Receivables from derivative financial instruments	4.4	–	4.4	–
Financial Liabilities	**28.4**	**0.0**	**28.0**	**0**
Liabilities from derivative financial instruments	28.4	–	28.4	–

[1] published price quotations in an active market
[2] estimation using a valuation technique based on observable market data
[3] estimation using a valuation technique based on non-observable input data

Hedge accounting

The following major hedging transactions qualified for hedge accounting in fiscal years 2008 to 2010:

Cash flow hedges

In the Carbon Black business line, commodity swaps with a fair value of € 0.2 million (2009: € 0.4 million 2008: minus € 26.0 million) were used to hedge forecast purchases of raw materials against price fluctuations up to 2013.

Evidence of the effectiveness of hedging relations is provided using the critical term match and the dollar offset method. As in 2009 and 2008, only a negligible amount was recognised in income as the ineffective portion of the valuation of cash flow hedges.

In 2010, the amount of OCI released to profit or loss is € 0.4 million income (2009: € 26.0 million expense; 2008: € 0.1 million income). The respective items are included in cost of sales due to the effective procurement hedging. The amounts recognised in OCI were € 0.4 million in 2010 (2009: € 0.4 million; 2008: € –26.0 million). The amounts recorded in OCI as of December 31, 2010, will affect profit or loss until October 2013 (December 31, 2009: until December 2010; December 31, 2008: until December 2009).

Financial risk management

Financial risk management has been performed centrally on Evonik Group level. The principles, methods and measures taken on Carbon Black business level are therefore identical to those of Evonik Group which are described below.

The Carbon Black business is exposed to financial risks in the normal course of business. A major objective of corporate policy is to minimise the impact of market, liquidity and default risks both on the value of the company and on profitability in order to check adverse fluctuations in cash flows and earnings without forgoing the opportunity to benefit from positive market trends. For this purpose a systematic financial and risk management system has been established. Interest rate and exchange rate risks are managed centrally (Evonik group level). Commodity risks are also identified centrally and hedged with the aid of commodity swaps in compliance with corporate guidelines.

Financial derivatives are used to reduce financial risks. They are entered into exclusively in connection with the corresponding underlying transaction relating to normal operating business, which provides a risk profile directly opposite to that of the (natural) hedge. The instruments used to manage exchange rate risks are customary products found on the market such as forward exchange contracts and currency options.
Commodity risks relating oil are mainly hedged through commodity swap contracts and since 2010 additionally through spread options.

(a) Market risk

Market risk can basically be subdivided into exchange rate, interest rate and commodity risks.

Exchange rate risks relate to both the sourcing of raw materials and the sale of end-products in currencies other than the functional currency of the company concerned. The aim of currency management is to protect the company's operating business from fluctuations in earnings and cash flows resulting from changes in exchange rates. Account is taken of the opposite effects arising from procurement and sales activities. The remaining currency risks to the Group chiefly relate to changes in the exchange rate of the euro versus the US dollar (USD).

Regarding interest rate risk, Carbon Black Group has mainly been financed by loans bearing variable interest rates thereby assuring that interest rate payments are in line with market conditions and eliminating fair value risk.

Several scenario analyses were carried out to measure exchange rate and interest rate risk as of December 31, 2010 as well as of December 31, 2009 and December 31, 2008.

A change of 5 percent and 10 percent in the exchange rates of the USD, which is the most important currency for Carbon Black Group, was modelled for each of these changes to simulate the possible loss of value of primary and derivative financial instruments. The effects on equity are pre-tax effects. Carbon Black Group has the policy of hedging the complete foreign exchange rate exposure from the moment the exposure is recorded in the balance sheet (e.g. the moment the receivable in foreign currency is recorded). In consequence, there is no net effect on profit or loss based on the recorded items in the balance sheet in the case of a change in the exchange rate. The effects presented in the table below therefore exclusively comprise the translation effects of the commodity derivatives of the German entity. Changes in the USD/EUR foreign exchange rate do not have any effect on the commodity derivatives of the US entity due to their quotation in US dollar as the functional currency of the US entity is US dollar.

	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
in € million	Impact on equity	Impact on equity	Impact on equity
USD			
+ 5 %	0.0	0.0	–1.2
– 5 %	0.0	0.0	1.2
+ 10 %	0.0	0.0	–2.5
– 10 %	0.0	0.0	2.5

Several scenarios were also simulated for interest rates. These analysed shifts of 50, 100 and 150 basis points in interest rates or the interest rate curve. The changes modelled relate to the interest rate curves for all foreign currencies and for the euro to simulate the possible loss of value of primary and derivative financial instruments. The scenarios and the related effects on pre-tax income are shown in the table below:

	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
in € million	Impact on income	Impact on income	Impact on income
+ 50 basis points	–1.9	–1.2	–1.3
– 50 basis points	1.9	1.2	1.3
+ 100 basis points	–3.8	–2.4	–2.6
– 100 basis points	3.8	2.4	2.6
+ 150 basis points	–5.8	–3.5	–3.8
– 150 basis points	5.8	3.5	3.8

Note: Due to the variable interest rates of the credit agreements without any hedging of the liquidity risk by swaps, every change in interest rates affects net income. According to this the impact would be the change in interest rate multiplied with the drawn credit amount.

Commodity risks result from changes in the market prices for the purchase of raw materials (crude oil). Raw materials are purchased principally to meet in-house requirements.

Commodity risks have been managed on the level of the Carbon Black business line since 2010. In prior years, commodity management has been performed centrally on Evonik Group level. Procurement risks are identified and effective measures are taken to minimise them. For example, price escalation clauses and swaps are used to reduce price volatility. Other factors of importance for Carbon Black's risk position are the availability and price of raw materials, starting products and intermediates. In particular, raw material prices of significance to the Carbon Black Group are dependent on exchange rates and the price of crude oil. Pricing and procurement risks are reduced through worldwide procurement and optimised processes to ensure immediate sourcing of additional raw material requirements.

Financial derivatives were used to hedge procurement price risks (crude oil). The following table shows the pre-tax impact of a change in oil price on equity for different scenarios, assuming no changes in the foreign exchange rate. Due to the effective hedge relationship with regard to commodity hedging there is no effect on profit or loss.

in € million	Dec. 31, 2010 Impact on equity	Dec. 31, 2009 Impact on equity	Dec. 31, 2008 Impact on equity
Oil Prices			
+ 5 %	0.1	0.2	1.0
– 5 %	–0.1	–0.2	–1.0
+ 10 %	0.3	0.3	2.1
– 10 %	–0.3	–0.3	–2.1
+ standard deviation	0.1	1.0	9.6
– standard deviation	–0.1	–1.0	–9.6

(b) Liquidity risk
As part of the Evonik group, the Carbon Black business is integrated in the liquidity risk management that is performed centrally at the Evonik group level. The principles below represent the measures taken at the Evonik group level. The integration of the Carbon Black business is mainly implemented by the use of cash pooling. Additional liquidity requirements of the Carbon Black business line are thus met by the use of the possibility to draw additional funds via cash pooling or to draw loans from Evonik group companies that are not part of the Carbon Black business.

At the Evonik group Level, liquidity risk is managed through business planning to ensure that the funds required to finance the current operating business and current and future investments in all group companies are available at the right time and in the right currency at optimum cost. Liquidity requirements for business operations, investments and other financial activities are derived from a financing status and liquidity planning, which form part of liquidity risk management. Liquidity is pooled in a central cash management pool where this makes economic sense and is legally permissible. Central liquidity risk management facilitates low-cost borrowing and advantageous offsetting of financial requirements. To secure its liquidity, Evonik has various credit facilities with banks.

The table shows the remaining maturity of the primary financial instruments for the Carbon Black business based on the agreed dates for payment of the sum of interest and instalment payments.

in €million, as of December 31	Total			up to 1year			1to 3 years			3 to 5 years			more than 5 years		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Financial liabilities	**404.1**	**244.2**	**264.3**	**339.7**	**212.5**	**246.7**	**38.8**	**31.8**	**5.5**	**25.6**	**0.0**	**12.0**	**0.0**	**0.0**	**0.0**
Liabilities to banks	30.7	14.7	23.2	21.7	5.4	9.0	9.0	9.3	2.2	-	-	12.0	-	-	-
Other financial liabilities	156.6	113.1	127.1	101.3	90.6	123.8	29.8	22.5	3.4	25.6	-	-	-	-	-
Cash pooling	216.8	116.4	114.0	216.8	116.4	114.0	-	-	-	-	-	-	-	-	-
accounts payable	**129.8**	**92.3**	**60.1**	**129.8**	**92.3**	**60.1**	-	-	-	-	-	-	-	-	-

The breakdown of the sum of interest and instalment payments by maturity in the following table relates to derivative financial instruments with positive and negative fair values. The table shows the net value of cash inflows and outflows based on contractual maturity. Since netting was not agreed for currency derivatives, they are presented as gross amounts:

in €million	Total			up to 1 year			1 year to 3 years		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Receivables from derivatives as of Dec. 31	**0.9**	**0.5**	**4.4**	**0.8**	**0.5**	**4.4**	**0.1**	**-**	**-**
Currency derivatives	0.7	0.1	4.4	0.7	0.1	4.4	-	-	-
Cash inflows	33.7	12.1	68.4	33.7	12.1	68.4	-	-	-
Cash outflows	33.0	12.0	64.0	33.0	12.0	64.0	-	-	-
Commodity derivatives	0.2	0.4	-	0.1	0.4	-	0.1	-	-
Liabilities from derivatives as of Dec. 31	**(2.1)**	**(1.0)**	**(28.4)**	**(2.1)**	**(1.0)**	**(28.4)**	**-**	**-**	**-**
Currency derivatives	(2.1)	(1.0)	(2.4)	(2.1)	(1.0)	(2.4)	-	-	-
Cash inflows	34.1	39.2	30.5	34.1	39.2	30.5	-	-	-
Cash outflows	36.2	40.2	32.9	36.2	40.2	32.9	-	-	-
Commodity derivatives	-	-	(26.0)	-	-	(26.0)	-	-	-

(c) Risk of default

The principles of managing risk of default have been set by Evonik group. The principles described below are therefore identical to the principles applied by the Evonik group. A large part of the risk management measures is taken centrally at the Evonik group level and not on the level of the Carbon Black business line.

Credit risk management divides default risk into three categories, which are analysed separately on the basis of their specific features. The three categories are debtor and creditor risk, country risk and the risk of default by financial counterparties.

The debtor and creditor default risks are analysed and monitored continuously with the aid of an internal limit system. Political risk (country risk) is also taken into account for export orders so that the overall risk assessment takes account of both political and economic risk factors. On the basis of the analysis, a maximum risk exposure limit is set for the contracting party. The credit standing of contracting parties is updated constantly via ratings or scoring processes.

In addition, a specific limit is set for financial counterparties for each type of risk (money market, capital market and derivatives). Maximum limits for each contracting party are set on the basis of the creditworthiness analyses. These are normally based on the ratings issued by international rating agencies and our own internal analysis of credit standing. In the case of banks, the level of deposits covered by the deposit insurance system and liable capital are also taken into account.

Credit management also covers derivative financial instruments, where the risk of default is equivalent to the positive fair value. This risk is minimised by setting high standards for the creditworthiness of counterparties. Only common instruments found on the market with sufficient liquidity are used. Consequently, no material risk of default is expected in this field. As for primary financial instruments, there is also a default risk amounting to the positive fair value. This can be minimised by regular creditworthiness reviews. We do not anticipate any material risk of default here either.

The amount that represents the maximum exposure to credit risk at the end of each reporting period is represented by the carrying amounts of the financial assets in the statement of financial position.

Owing to the diversity of business and large number of customers, there are no significant cluster risks.

(7.3) Related parties

Related parties to which the Carbon Black business maintains relationships comprise all companies of the Evonik group, which are not included in the Carbon Black business.

The transactions and outstanding balances between the business and these Evonik companies are shown in the table:

	Evonik Group		
in € million	2010	2009	2008
Goods and services supplied	29.1	18.1	30.1
Goods and services received	44.1	42.1	50.7
thereof corporate center charges	16.8	16.6	22.5
Other income/expenses	–0.8	–5.8	–0.2
Receivables as of December 31	70.7	30.8	23.7
Liabilities as of December 31	358.7	223.4	248.0

A large portion of the liabilities relate to a loan amounting to € 94.4 million in 2010 (2009: € 87.6 million; 2008: € 90.6 million) provided by Degussa International Inc. to Evonik Carbon Black LLC. The position also includes the cash pooling agreement with Evonik and Evonik Degussa Corporation (in case of the US entities). The amounts relate to inhouse current accounts reflecting “zero balancing” transfers. Furthermore, loans can be granted by the cash pool leader on a single entity level by way of “manual cash pooling”. In this case the agreement shall be applied accordingly. The arrangements are standardised contracts for an undefined period of time for all participating group companies. Minor differences may occur depending on the date of the contract. The underlying interest rate consists of the 1-month-interbank rate set for the respective currency and from July 2010 onwards a margin based on the credit default swaps of Evonik Industries AG (160bps initially). A service fee of 25bps has to be added or deducted depending whether it is a liability or a deposit. Interest is due at each month´s end and will be automatically added to the inhouse bank account. The cash pooling included in this position sums up to € 208.8 million in 2010 (2009: € 107.5 million, 2008: € 103.3 million). The majority relates to cash pooling liabilities of Evonik Carbon Black LLC (2010: € 75.4 million; 2009: € 60.4 million; 2008: € 53.8 million) and of Evonik Degussa Carbons Inc (2010: € 48.3 million; 2009: € 44.1 million; 2008: € 45.2 million) due to Evonik Degussa Corporation. Since July 2010 Evonik Carbon Black GmbH participates in a cash pooling agreement with Evonik Industries AG, amounting to € 77.2 million at the end of 2010. Trade payables due to other Evonik group companies with a maturity of less than one year represent € 7.3 million in 2010 (2009: € 5.0 million; 2008: € 10.7 million).

As of December 31, 2010, € 54.8 million (2009: € 21.4 million; 2008: € 18.8 million) of the receivables relate to cash pooling receivables. During the reporting periods the largest portion relates to Carbogal S.A., amounting to € 17.2 million in 2010 (2009: € 14.8 million; 2008: € 13.7 million). In 2010, further cash pooling receivables were reported by Evonik Carbon Black Nederland B.V. (2010: € 30.6 million; 2009: € 6.5 million; 2008: € 5.1 million) and by Evonik Carbon Black Italia S.p.A. (2010: € 5.0 million). As of December 31, 2010, € 14.1 million (2009: € 9.3 million; 2008: € 4.8 million) relate to trade accounts receivable maturing in less than one year.

Carbon Black enters into a number of transactions with entities of the Evonik group for sales and corporate services provided by the Evonik group. Product transfers between the business and the Evonik sales offices

were made at various transfer prices. The position of goods and services supplied consist of sales of goods to companies of the Evonik group, mainly direct sales to the worldwide Evonik Chemicals sales offices in those cases where sales offices operate as distributors of carbon blacks. These sales are reported in the revenues in the Combined Income Statement. The pricing arrangements with such sales offices are reflective of terms that the Carbon Black business would also enter into with third party distributors.
Goods and services received by the Carbon Black business comprise various types of expenses. The main expenses within these services are corporate centre charges amounting to € 16.8 million in 2010 (2009: € 16.6 million, 2008: € 22.5 million). These charges primarily consist of head office services, such as group management board support, corporate marketing, corporate human resources, corporate environmental protection, health and safety, corporate law, corporate treasury, and corporate accounting. IT charges amounted to € 5.3 million in 2010 (2009: € 4.7 million; 2008: € 5.2 million). Sales commissions paid by the German entity of the Carbon Black business to Evonik Chemicals sales offices operating as agent amount to € 4.9 million in 2010 (2009 and 2008: € 6.3 million). Other crucial services relate to accounting, procurement and other sales commissions, with € 2.5 million (same amount in 2009 and 2008), € 2.4 million (2009: € 1.7 million; 2008: € 2.2 million) and € 2.5 million (2009 and 2008: € 1.9 million) in 2010.
Other income and expenses relate mainly to gains and losses from foreign currency translation with other Evonik Group companies. In 2010, income resulting from these effects amounted up to € 1.6 million (2009: € 0.1 million; 2008: € 0.2 million), while the respective expenses were € 2.0 million (2009: € 0.1 million; 2008: € 0) In 2010, € 0.2 million were recognised as interest income from loans and receivables (2009: € 0.1 million, 2008: € 0.0 million).
To the extent of these related party transactions, these financial statements may not necessarily be indicative of the results that would have been obtained if Carbon Black had operated as a separate entity during the periods presented.

Related parties also include members of Carbon Black's key management personnel, which are directly or indirectly responsible for corporate planning, management and oversight of the Carbon Black business as well as their families. In addition, at Evonik, these parties comprise the Carbon Black management as well as all members of Evonik group management to which the Carbon Black management is placed in the direct chain of command (i.e., head of business unit Inorganic Material, Executive Board of Evonik Degussa GmbH and Executive Board and Supervisory Board of Evonik Industries AG.)

The transactions between the group and the members of the Carbon Black key management are shown in the table:

in € million	2010	2009	2008
Salaries and other short-term employee benefits	0.3	0.3	0.4
Bonuses	0.1	0.1	0.3
Post-employment benefits	0.1	0.1	0.1
Defined benefit obligation as of December 31	0.5	0.3	0.6

(7.4) Government grants

Government grants were as follows on the reporting date:

in € million	2010	2009	2008
Government grants	0.2	0.0	1.6
	0.2	0.0	1.6

In 2010 the Carbon Black business received government grants in an amount of € 0.2 million from the German Ministry of Education and Research for several research projects. These government grants were shown directly in the profit and loss accounts generally according to the research expenses incurred. In case of not using the grant for the stated project during a defined deadline, having less cost than it was stated or failing defined conditions the ministry can reclaim the grant with interest (55 basis points over the basis interest rate).

In 2008 the Carbon Black business received government grants in an amount of € 1.6 million for enhancement of the environment in Poland which were deducted from the acquisition costs. In case of failing defined environmental effects until the end of the year 2011 or not operating the construction during a period of 5 years, the government can reclaim the grant with interest (10 percent).

(7.5) Contingent liabilities and other financial commitments

There were no contingent liabilities in respect of guarantee obligations or obligations under warranties and indemnity guarantees during the years 2008 to 2010.

Other financial commitments are outlined below:

The table shows the nominal value of obligations from future minimum lease payments for assets leased under operating leases with the following payment terms:

in € million	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Due within 1 year	3.8	3.9	4.0
Due in 1-5 years	8.6	11.0	13.2
Due in more than 5 years	0.3	1.1	2.8
	12.7	16.0	20.0

The lease payments recognised as an expense as operating leases are € 5.0 million in 2010 (2009: € 5.3 million, 2008: € 5.0 million).

(7.6) Events after the reporting date

On April 16, 2011 a transaction between Evonik Degussa GmbH and affiliates of Rhône Capital LLC has been signed with the intent to sell the Carbon Black business to affiliates of Rhône Capital LLC. Closing is intended to be in summer 2011. The transaction includes all Carbon Black entities except for Evonik Carbon Black Netherland B.V., Netherlands, and Evonik Degussa Carbons Inc., USA. Signing is still subject to the approval of Evonik Industries supervisory board, closing depends – besides other requirements – on the approval of the unit-trust authorities.

Essen, April 26, 2011

Evonik Degussa GmbH

/s/ Thomas Haeberle	/s/ Thomas Hermann
Dr. Thomas Haeberle	Thomas Hermann

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Printed by RR Donnelley, 191220

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