HAZARDOUS WASTE PERMIT RENEWAL APPLICATION
VOLUME 4

Hazardous Waste Permit No. 50189

Issued: **22 January 2025**

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Alvin, Texas

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Hazardous Waste Permit Renewal Application
Ascend Performance Materials Texas Inc., Alvin, Texas

Hazardous Waste Permit No. 50189

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Part B Application Form, Section XIII

XIII. Confidential Material

Any information submitted in this application which is deemed confidential shall be provided in this Section as a separate collective document and clearly labeled **CONFIDENTIAL**. Refer to Part B instructions (page 9) for further information.

Hazardous Waste Permit Renewal Application
Ascend Performance Materials Texas Inc., Alvin, Texas

Hazardous Waste Permit No. 50189

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ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Consolidated Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

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KPMG

KPMG LLP
811 Main Street
Houston, TX 77002

Independent Auditors' Report

The Board of Directors and Owners
Ascend Performance Materials Holdings Inc.:

Opinion

We have audited the consolidated financial statements of Ascend Performance Materials Holdings Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in owners' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

KPMG

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Houston, Texas
April 7, 2023

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Consolidated Statements of Financial Position

December 31, 2022 and 2021

(Amounts in thousands)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 34,546	$ 42,918
Trade receivables, net of allowances of $970 and $581, respectively	328,345	463,206
Other receivables	59,148	69,548
Inventories, net	469,340	449,753
Other assets	56,132	35,997
Total current assets	947,511	1,061,422
Property, plant, and equipment, net of accumulated depreciation of $304,151 and $279,010, respectively	820,743	769,414
Financing lease right-of-use assets, net of accumulated amortization of $18,306 and $0, respectively	150,424	—
Operating lease right-of-use assets, net of accumulated amortization of $88,337 and $66,481, respectively	83,740	98,058
Other assets	238,585	129,386
Total assets	$ 2,241,003	$ 2,058,280
Liabilities and Owners' Deficit		
Current liabilities:		
Trade accounts payable	$ 391,316	$ 453,216
Debt-related party	136,121	43,887
Accrued liabilities	112,926	131,686
Commissions payable – related party	92,861	123,507
Other current liabilities	81,346	47,846
Total current liabilities	814,571	800,142
Term Loan B, net	1,035,541	1,037,992
Credit facility	215,000	34,995
Deferred taxes	100,846	102,165
Financing lease liability	133,449	—
Cogeneration financing liability	—	149,287
Operating lease liabilities	53,567	71,001
Other liabilities	74,646	43,819
Total liabilities	2,427,619	2,239,401
Owners' deficit:		
Common stock	98	98
Paid-in capital	42,323	42,323
Retained earnings	990,250	996,384
Dividends declared and paid	(1,174,385)	(1,174,385)
Restricted stock	2,856	2,856
Accumulated other comprehensive loss	(19,788)	(18,025)
Treasury stock	(30,372)	(30,372)
Total owners' deficit	(189,018)	(181,121)
Non-Controlling Interest	2,402	—
Total Owners' Deficit	(186,616)	(181,121)
Total liabilities and owners' deficit	$ 2,241,003	$ 2,058,280

See accompanying notes to consolidated financial statements.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Twelve months ended December 31, 2022 and 2021

(Amounts in thousands)

	2022	2021
Net Sales	$ 3,054,265	$ 3,152,302
Cost of goods sold	2,583,778	2,518,898
Gross profit	470,487	633,404
Depreciation and amortization	136,370	113,291
Selling, general, and administrative expense	156,649	185,005
Other operating expense	51,332	22,484
Operating income	126,137	312,624
Interest expense	42,988	51,987
Commissions expense – related party	89,366	122,199
Restructuring expense	9,136	4,034
Other income	(13,627)	(15,666)
Income (loss) before income tax expense	(1,725)	150,070
Income tax expense	4,373	28,868
Net Income (loss) including non-controlling interest	(6,098)	121,202
Less: Net loss attributable to non-controlling interest	(36)	—
Net Income (loss)	(6,134)	121,202
Other comprehensive income (loss):		
Pension liability, net of tax of ($670) and $294, respectively	(3,066)	5,883
Currency Transalation Adjustments	(1,180)	—
Interest rate swap amount reclassified to net income (loss)	2,483	—
Total other comprehensive income (loss)	(1,763)	5,883
Total comprehensive income (loss)	$ (7,860)	$ 127,085

See accompanying notes to consolidated financial statements.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Consolidated Statements of Changes in Owner's Deficit

Twelve months ended December 31, 2022 and 2021

(Amounts in thousands)

	Common stock	Paid-in capital	Retained earnings	Dividends declared and paid	Noncontrolling interest	Restricted stock	Accumulated other comprehensive loss	Treasury stock	Total owners deficit
Balance as of December 31, 2020	$ 98	$ 42,323	$ 875,182	$ (1,174,385)	$ —	$ 2,856	$ (23,908)	$ (30,372)	$ (308,206)
Net income	—	—	121,202	—	—	—	—	—	121,202
Other comprehensive income	—	—	—	—	—	—	5,883	—	5,883
Balance as of December 31, 2021	98	42,323	996,384	(1,174,385)	—	2,856	(18,025)	(30,372)	(181,121)
Net income (loss)	—	—	(6,134)	—	36	—	—	—	(6,098)
Acquisition of Circular Polymers	—	—	—	—	2,365	—	—	—	2,365
Other comprehensive income	—	—	—	—	—	—	(1,763)	—	(1,763)
Balance as of December 31, 2022	98	42,323	990,250	(1,174,385)	2,401	2,856	(19,788)	(30,372)	(186,616)

See accompanying notes to consolidated financial statements.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Consolidated Statements of Cash Flows

Twelve months ended December 31, 2022 and 2021

(Amounts in thousands)

		2022		2021
Cash flows from operating activities:				
Net income (loss)	$	(6,098)	$	121,202
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Gain on Bargain Purchase		(3,194)		—
Depreciation and amortization		136,370		113,291
Amortization of deferred financing costs		4,925		4,540
Deferred income tax (income) expense		(1,634)		19,734
(Gain) loss on Interest rate swap - fair value of swap		(17,802)		(29,564)
Other operating activities		(1,121)		(902)
Decrease (increase) in:				
Trade and other receivables		130,419		(293,766)
Inventories		(16,554)		(78,262)
Other assets, excluding catalyst and deferred major maintenance		4,559		(2,247)
Catalyst and deferred major maintenance		(160,959)		(42,802)
Right-of-use assts and operating lease liabilities		(11,202)		(1,058)
Insurance proceeds		30,000		19,500
Increase (decrease) in:				
Accounts payable - trade, other payables and accruals		(70,325)		180,086
Commissions payable - related party		(30,646)		62,020
Long-term liabilities		(8,595)		(4,406)
Pension liability		3,230		(6,161)
Contract liabilities		(564)		(3,893)
Net cash provided by (used in) operating activities		(19,190)		57,312
Cash flows from investing activities:				
Purchase of property, plant and equipment		(232,811)		(100,577)
Formulated Polymers purchase, net of cash received		(31,062)		—
Circular Polymers purchase, net of cash received		(12,030)		—
Eurostar acquisition, net of cash received		—		(9,876)
Other investing activities		(12,462)		8,702
Net cash used in investing activities		(288,365)		(101,751)
Cash flows from financing activities:				
Proceeds from credit facility		814,166		192,500
Proceeds from debt-related party		120,012		60,176
Proceeds from Poliblend notes		14,306		12,041
Proceeds from Suzhou loan		17,230		7,225
Other proceeds		9,039		—
Proceeds from LT debt - FA Loan		33,158		—
Payments on credit facility		(634,161)		(157,505)
Payments on Poliblend notes		(13,656)		(7,876)
Payments on debt-related party		(27,778)		(57,797)
Payments on term loan		(8,147)		(10,863)
Other payments		(24,986)		(1,799)
Net cash provided by financing activities		299,183		36,102
Net decrease in cash and cash equivalents		(8,372)		(8,337)
Cash and cash equivalents, beginning of period		42,918		51,255
Cash and cash equivalents, end of period		34,546		42,918
Supplemental disclosure of noncash investing and financing activities:				
Cash paid during the period for income taxes		11,777		4,596
Cash paid during the period for interest		80,722		63,381
Assets under construction		—		58,543
Cogeneration financing liability		—		57,580
Financing Lease Right-of-use assets		169,496		—
Financing Lease Right-of-use liability		(155,664)		—
Right-of-use assets		18,177		24,904
Operating lease liabilities		(18,177)		(24,904)
Other Noncash investing and financing activities		8,457		9,173

See accompanying notes to consolidated financial statements.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Amounts in thousands)

(1) Description of Business

Ascend Performance Materials Holdings Inc. and its wholly owned subsidiaries (collectively, the Company) was formed on June 1, 2009, in connection with the purchase agreement executed by SK Titan Holdings LLC (SK) to purchase 98% of the integrated nylon business segment from Solutia, Inc. (Solutia). The remaining 2% of equity interest in the Company was retained by Solutia. On July 26, 2011, the Company purchased the 2% minority interest and related outstanding shares from Solutia for approximately $30,372. The acquired shares were retained by the Company to be reissued in future periods and classified as treasury stock.

The Company operates thirteen plants in the United States and foreign locations engaged in the manufacturing of chemicals and nylon 6,6 fibers and plastics. The Company serves global markets and is one of the few fully integrated nylon 6,6 producers. The Company’s products are used in thousands of commercial and industrial products including automotive applications, cable ties, carpet, tires, apparel, agricultural products, and personal care products. The Company’s raw materials are readily available, and the Company is not dependent on a single supplier or only a few suppliers.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation and useful lives of fixed assets, allowances for doubtful accounts and sales returns, deferred tax assets and liabilities, allowance for excess and obsolete inventory, the valuation of and accrual for employee benefit obligations, income tax uncertainties, commission expense–related party, and other contingencies.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and December 31, 2021

(Amounts in thousands)

(b) Principles of Consolidation

The accompanying consolidated financial statements as of December 31, 2022, and 2021 include the accounts of Ascend Performance Materials Holdings Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

(c) Cash

Cash consists of balances held in the Company's bank accounts less outstanding payments. The Company had no restricted cash as of December 31, 2022, or 2021.

(d) Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains a customer-specific allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers customers' financial condition, the number of receivables in dispute, the current receivables aging, and current payment patterns. The Company reviews its allowance for doubtful accounts on a quarterly basis.

(e) Other Receivables

Other receivables are recorded at the invoiced amount and do not bear interest. These consist primarily of amounts due from customers with respect to their operations on the Company's facilities, amounts due with respect to federal and state income taxes, and value-added taxes.

(f) Inventories

The costs of all inventories, both domestic and foreign, including supplies, are determined using the moving-average cost method. All domestic inventories, excluding supplies, fuels, and precious metal catalysts, are revalued to last in-first out (LIFO) cost for financial reporting using a dollar-value LIFO method.

LIFO inventories are stated at the lower of cost or market. Inventories not carried at LIFO are stated at the lower of cost or net realizable value.

Approximately 66% and 73% of all inventories are in the United States as of December 31, 2022, and 2021, respectively, and as noted above are recorded using a dollar-value LIFO method.

The Company records abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) as current period charges.

(g) Revenue Recognition

Revenue is recognized when the Company transfers control of inventories to its customers. Amounts recognized as revenues reflect the consideration to which the Company expects to be entitled in exchange for those inventories. Provisions for discounts, rebates and returns are incorporated in the estimate of variable consideration and reflected as a reduction to revenue in the same period as the related sales. Substantially all our revenues are derived from contracts with customers. Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. This generally occurs at the point in time when performance obligations are fulfilled and control transfers to the customer based on agreed INCOTERMS. In most instances, control transfers upon transfer of risk of loss and title to the customer, which usually occurs when we ship products to the customer from our manufacturing facility or regional warehouses.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at original cost. Plant and equipment under capital leases are stated at the present value of minimum lease payments. Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of buildings is 35 years, while the estimated useful lives of machinery and equipment range from 10 to 20 years. Plant and equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

Long-lived assets, such as property, plant, and equipment, and software assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value.

There were no 2022 or 2021 impairment indicators identified.

(i) Capitalized Software

Software is recorded in other assets and amortized on the straight-line method over estimated useful lives ranging from three to five years. As of December 31, 2022, and 2021, software net of accumulated amortization amounted to $7,695 and $3,313, respectively. Amortization expense for software was $1,864 and $1,934 for the years ended December 31, 2022, and 2021, respectively.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and December 31, 2021

(Amounts in thousands)

(j) Intangible Assets

Intangible assets consist of customer relationships, trade names and trademarks, and software costs. These assets are amortized using the straight-line method over their estimated useful lives or over the term of the related agreement. We evaluate definite-lived intangible assets with the associated long-lived asset group for impairment whenever impairment indicators are present. The components of identifiable intangible assets, at cost, and the related accumulated amortization are as follows at:

		December 31, 2022			December 31, 2021		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amort	Net	Gross Carrying Amount	Accumulated Amort	Net
Intangible assets with finite lives:							
Developed technology	18	$ 24,845	$ (2,997)	$ 21,848	$ 22,545	$ (1,697)	$ 20,848
Customer relationships	14	12,700	(438)	12,262	-	-	-
Land use right	39	3,513	(210)	3,303	3,513	(120)	3,393
Trademarks/tradenames	15	400	(1)	399	749	(677)	72
Other	18	823	(353)	470	733	(310)	423
Total other intangible assets with finite lives		$ 42,281	$ (3,999)	$ 38,282	$ 27,541	$ (2,804)	$ 24,737

Total estimated amortization expense for the next five years is as follows:

Estimated Amortization Expense	
2023	$ 1,487
2024	1,474
2025	1,474
2026	1,434
2027	1,434

(k) Goodwill

The Company identified and recorded assets acquired, and liabilities assumed in acquisitions at their estimated fair values. Goodwill resulting from a business combination is not subject to amortization. As of December 31, 2022, and 2021, goodwill amounted to $31,022 and $18,768, respectively. Goodwill is comprised of amounts determined in the following business combinations:

- On July 31, 2018, the Company acquired Britannia Techno Polymer B.V;
- On September 1, 2020, the Company acquired Poliblend S.p.A and EssetiPlast GD S.r.l.;
- On May 25, 2022, the Company acquired Formulated Polymers Limited; and
- On November 1, 2022, the Company acquired Circular Polymers, LLC.

Acquisitions during the years ended December 31, 2022, and 2021 are discussed further in note 6, Acquisitions.

The Company elected the accounting alternative for triggering event assessments at the beginning of 2021 and tests goodwill for impairment when there is a triggering event (e.g., a deterioration in general economic conditions or in the environment in which the Company operates) at the end of a reporting period.

When impairment indicators are identified, the Company compares the reporting unit's fair value to its carrying amount, including goodwill. An impairment loss is recognized as the difference, if any, between the reporting unit's carrying amount and its fair value, to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit.

Indefinite-lived intangible assets are tested for impairment annually, and more frequently when there is a triggering event. Annually, or when there is a triggering event, the Company first performs a qualitative assessment by evaluating all relevant events and circumstances to determine if it is more likely than not that the indefinite-lived intangible assets are impaired; this includes considering any potential effect on significant inputs to determining the fair value of the indefinite-lived intangible assets. When it is more likely than not that an indefinite-lived intangible asset is impaired, then the Company calculates the fair value of the intangible asset and performs a quantitative impairment test.

(l) Turnaround Costs

The Company accounts for turnaround costs under the deferral method. Turnarounds are the scheduled and required shutdowns of specific operating units in order to perform planned major maintenance activities. The costs related to the significant overhaul and refurbishment activities include maintenance materials, parts, and direct labor costs. The costs of the turnaround are deferred when incurred at the time of the planned turnaround and amortized on a straight-line basis over the estimated useful life of the turnaround, which ranges from 3 to 15 years. Deferred turnaround costs are presented as a component of other assets. The cash outflows related to these costs are included in operating activities in the consolidated statements of cash flows. During the years ended December 31, 2022, and 2021, turnaround costs were approximately $133,925 and $19,981, respectively.

Unplanned turnaround costs are expensed as incurred.

(m) Income Taxes

Income taxes are accounted for under the asset-and-liability method. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce its deferred tax assets to the amounts that are more likely than not to be realized. The Company has considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in assessing the need for the valuation allowance.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Company records interest and penalties related to uncertain tax benefits as a component of income tax expense.

(n) Commitments and Contingencies

Liabilities for loss contingencies, including environmental remediation costs not within the scope of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 450, *Contingencies Obligations*, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

Legal costs incurred in connection with loss contingencies are expensed as incurred.

Recoveries of environmental remediation costs from third parties that are probable of realization are separately recorded as assets and are not offset against the related environmental liability.

Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of expected future expenditures for environmental remediation obligations are not discounted to their present value.

(o) Self-Insurance and Insurance Recoveries

The Company maintains self-insurance reserves to reflect its estimate of uninsured losses. Self-insured losses are accrued based upon estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry, the Company’s historical experience, and certain case-specific reserves as required, including estimated legal costs. The maximum extent of the self-insurance provided by the Company is dependent upon a number of factors, including the facts and circumstances of the individual cases and the terms and conditions of the commercial policies. The Company has purchased insurance policies in order to reduce its exposure to workers’ compensation, product, general, automobile, and property liability claims. This insurance has varying policy limits and deductibles.

Insurance recoveries are estimated in consideration of expected losses, coverage limits, and policy deductibles. When recovery from an insurance policy is considered probable, a receivable is recorded to the extent of the recognized loss.

In February 2021, the Company’s Chocolate Bayou site in Alvin, Texas experienced damages due to severe winter conditions, resulting in significant downtime for the site. The Company filed a $48,000 claim against our insurance policy to recover the losses incurred (including a $5,000 out of pocket deductible), and negotiated a full claims settlement of $45,000, less $5,000 deductible. Of this settlement the company received $30,000 and $10,000 in proceeds for the years ended December 31, 2022, and 2021, respectively.

(p) Foreign Currency Translation

The U.S. dollar has been used as the functional currency for all worldwide locations. All foreign currency translations and translation adjustments are included in the operating results of the Company.

(q) Derivative Financial Instruments

Derivative financial instruments are used principally in the management of interest rate exposures and are recorded on the consolidated balance sheets at fair value. If a derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the financial instrument is designated as a cash flow hedge or net investment hedge, the effective portions of changes in the fair value of the derivative are included in other comprehensive income or loss in the consolidated statements of income and comprehensive income, and the cumulative effect is included in the shareholders' deficit section of the consolidated balance sheets. The cumulative changes in fair value are reclassified to the same line as the hedged item in the consolidated statements of income and comprehensive income when the hedged item affects earnings. The Company evaluate hedge effectiveness at inception and on an ongoing basis, and ineffective portions of changes in the fair value of cash flow hedges and net investment hedges are recognized in earnings following the date when ineffectiveness was identified. Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the change included in earnings.

(r) Comprehensive Income

Comprehensive income consists of two components, net income and other comprehensive income. Other comprehensive income refers to revenue, expenses, and gains and losses that, under GAAP, are recorded as an element of shareholders' deficit but are excluded from earnings. Other comprehensive income primarily consists of unrealized losses on retirement related benefit plans, including the income tax impact of those gains or losses, as well as the unrealized loss on a cash flow hedge.

(s) Pension and Other Postretirement Plans

The Company has a noncontributory-defined benefit pension plan, which was frozen in 2004. The benefits are based on age, years of service, and the level of compensation before the plan was frozen. The Company records annual amounts relating to the pension plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return on assets, and turnover rates. The Company reviews the assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income and amortized to net periodic cost over future periods. The Company believes that the assumptions utilized in recording its obligations under its plan are reasonable based on its experience and market conditions.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

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(Amounts in thousands)

The FASB guidance on disclosure for pension plans requires disclosure of fair value measurements of plan assets.

(t) Fair Value Measurements

To increase consistency and comparability in fair value measurements, the FASB guidance on fair value measurements established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Observable inputs that reflect quoted market prices for identical assets and liabilities in active markets.
- Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly; the fair value of these investments are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences.
- Level 3 – Unobservable inputs using data that is not corroborated by market data.

(u) Research and Development and Advertising

Research and development and advertising costs are expensed as incurred.

(v) Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*, which will change the impairment model for most financial assets and require additional disclosures. The amended guidance requires financial assets that are measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of financial assets. The amended guidance also requires us to consider historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount in estimating credit losses. The amended guidance becomes effective for us commencing in the first quarter of 2023 and will be applied through a cumulative effect adjustment to the beginning retained earnings in the year of adoption. Early adoption is permitted. It is not anticipated to have a material impact to the consolidated financial statements.

In January 2017, the FASB issues ASU No. 2017-04, *Intangibles -Goodwill and Other* (Topic 250), which allow private companies an alternative accounting treatment for subsequently measuring goodwill. The Update simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Entities will now record an impairment charge based on the excess of a reporting unit's carrying amount (including goodwill) over its fair value derived from step 1 of the goodwill impairment test; limited to the total amount of goodwill allocated to that reporting unit. In November 2019, the FASB issued ASU No. 2019-10 to amend the effective date of adoption. This update will be effective for the Company in the first quarter of 2023. It is not anticipated to have a material impact to the consolidated financial statements.

All other new accounting standards and updates of existing standards issued through the date of this filing were considered by management and did not relate to accounting policies and procedures pertinent or material to the Company at this time.

(w) Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU No. 201814, *Compensation Retirement Benefits Defined Benefit Plans*, which requires entities to disclose the weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates, and an explanation of reasons for significant gains and losses related to changes in the benefit obligation for the period. The amended guidance also requires entities to remove disclosures on the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit costs over the next fiscal year. This update was effective for the Company in the first quarter of 2021 and did not have a material impact to the consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform — Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (Topic 848). This update provides an optional expedient and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates ("IBORs") and, particularly, the risk of cessation of the London Interbank Offered Rate ("LIBOR"), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction-based and less susceptible to manipulation. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. In January 2021, the FASB issued ASU No. 2021-01, which clarifies that certain provisions in Topic 848, if elected by an entity, apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. This update was effective for the Company in the first quarter of 2022 and did not have a material impact to the consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*, eliminating certain exceptions to the guidance in ASC Topic 740, *Income Tax*, related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance also clarifies that single member limited liability companies and similar disregarded entities that are not subject to income tax are not required to recognize an allocation of consolidated income tax expense in their separate financial statements, but they could elect to do so. For privately owned entities, the standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted in interim or annual periods. Entities that elect to early adopt must adopt all the amendments in the same period and apply the guidance prospectively, except for certain amendments. The Company adopted this standard in the first quarter of 2022, and it did not have a material impact to the consolidated financial statements.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

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(Amounts in thousands)

(3) Inventory

Inventory as of December 31, 2022, and 2021 consists of the following:

		2022	2021
Raw materials and supplies	$	168,286	123,518
Goods in process		136,844	227,502
Finished goods		286,531	247,504
Inventories at cost		591,661	598,524
LIFO reserve		(122,321)	(148,772)
Total inventories	$	469,340	449,753

(4) Property, Plant, and Equipment

Property, plant, and equipment as of December 31, 2022, and 2021 consists of the following:

		2022	2021
Land	$	56,451	49,272
Buildings		62,640	55,609
Plant and equipment		828,938	853,398
Construction in progress		176,340	89,621
Asset retirement obligations		524	524
Total property, plant, and equipment		1,124,894	1,048,424
Less: accumulated depreciation		(304,151)	(279,010)
Total property, plant, and equipment, net of accumulated depreciation	$	820,743	769,414

		Depreciation and amortization	
		2022	2021
Property, plant, and equipment	$	64,908	50,900

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

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(Amounts in thousands)

(5) Other Assets, noncurrent

Other assets, noncurrent, as of December 31, 2022, and 2021 consists of the following:

	2022	2021
Catalyst and deferred major maintenance	$ 158,022	$ 81,151
Goodwill	31,022	18,768
Software	7,695	3,313
Other Intangible Assets	38,282	24,737
Deposits	3,564	1,416
Total other assets, noncurrent	$ 238,585	$ 129,386

Depreciation and amortization, as of December 31, 2022, and 2021 consists of the following:

	Depreciation and amortization	
	2022	2021
Software	$ 1,864	$ 1,934
Catalysts	19,125	20,615
Turnaround costs	48,645	38,444
Intangible costs	1,828	1,398
	$ 71,462	$ 62,391

Catalysts are primarily precious metals that are used during the Company's manufacturing process and are classified as other current assets. Catalysts are amortized based on actual usage during the manufacturing process.

(6) Acquisitions and Investments

China Production Facility Investment

In January 2022, the Company signed an investment agreement of $145,000 to construct a new hexamethylene diamine and specialty chemicals plant in Lianyungang, China in the Xuwei New Area Park. The new plant will be the Company's first chemical production facility and the largest investment the company has made outside of the United States. Construction began in Q3 of 2022 with a plant startup targeted for the first half of 2024.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

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(Amounts in thousands)

DM Color Acquisition

On April 1, 2022, the Company completed the $7,190 purchase of a compounding facility in San Jose Iturbide, Mexico, (the “DM Color Acquisition”) that included the assets of DM Color Mexicana, a joint venture between Dainichiseika and Mitsubishi Corp. The DM Color Acquisition has been accounted for as a business combination, using the acquisition method. Because the fair value of the assets and liabilities of the DM Color Acquisition exceeded the purchase price, a bargain purchase gain of $3,194 was recognized for the year ended December 31, 2022.The following table represents the final allocation of total purchase price to the identifiable assets acquired and the liabilities assumed based on the fair values as of the acquisition date.

		Fair value at acquisition date
Current assets	$	153
Property, plant and equipment		11,555
Total assets acquired		11,708
Deferred tax liabilites		1,324
Total liabilites assumed		1,324
Total purchase price, net of cash acquired	$	7,190
Bargain purchase gain	$	3,194

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

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(Amounts in thousands)

Formulated Polymers Acquisition

In March 2022, the Company signed an agreement to acquire the compounding division, along with contracts and workforce, of Formulated Polymers Limited for INR 1,990,000 plus working capital adjustments (approximately $31,062). Formulated Polymers Limited is a leading engineered materials manufacturer in Chennai, India. The deal includes a world-scale manufacturing facility in Chennai as well as warehouses throughout India. The acquisition closed on May 25, 2022 and was accounted for as a business combination. The following table represents the final allocation of total purchase price to the identifiable assets acquired and the liabilities assumed based on the fair values as of the acquisition date. Goodwill reflects the difference between the purchase price and the acquired assets and liabilities.

		Fair value at acquisition date
Current assets	$	10,705
Property, plant and equipment		4,196
Goodwill		8,017
Customer relationships		11,000
Total assets acquired		33,918
Current liabilities		2,856
Total liabilites assumed		2,856
Total purchase price, net of cash acquired	$	31,062

Property, plant and equipment consists of land and buildings with a value of $2,156 and equipment with a value of $2,040, with estimated remaining useful lives of between 5 and 14 years. Customer relationships of $11,000 reflect the future economic profits associated with Formulated Polymers Limited’s customers in place at the acquisition date. These relationships are expected to continue into the future, and therefore represent future economic profits of the business. They will be amortized over their estimated life of 15 years. Goodwill reflects the excess of the purchase price over the fair values of the net assets and liabilities acquired, and is mainly attributable to acquired workforce, expected synergies, and other factors.

Acquisition of Circular Polymers, LLC

On November 1, 2022, the Company closed on its acquisition of an 85% interest in Circular Polymers, LLC (Circular Polymers), a recycler of post-consumer, high-performance polymers based in California, for a purchase price of $12.0 million, net of cash acquired. The acquisition was accounted for as a business combination, and because the Company will control Circular Polymers, it will be consolidated in the Company's consolidated financial statements. The following table represents the final allocation of total purchase price to the identifiable assets acquired and the liabilities assumed based on the fair values as of the acquisition date. Goodwill reflects the difference between the purchase price and the acquired assets and liabilities.

(Amounts in thousands)

		Fair value at acquisition
Current assets	$	3,385
Property, plant and equipment		5,662
Goodwill		4,224
Technology		2,300
Customer relationships		1,700
Trade name		400
Total assets acquired		17,671
Current liabilities		950
Long term portion of debt		1,118
Total liabilites assumed		2,068
Less: Noncontrolling interest		(2,365)
Total purchase price		13,238
Less: cash acquired		(1,208)
Total purchase price, net of cash acquired	$	12,030

Property, plant and equipment consists of equipment with a value of $5,662, with estimated remaining useful lives of between 1 and 10 years. Customer relationships of $1,700 reflect the future economic profits associated with Circular customers in place at the acquisition date. These relationships are expected to continue into the future, and therefore represent future economic profits of the business. They will be amortized over their estimated life of 15 years. Goodwill reflects the excess of the purchase price over the fair values of the net assets and liabilities acquired, and is mainly attributable to acquired workforce, expected synergies, and other factors.

The fair value of the noncontrolling interest at the acquisition date is $2,365 and was determined based on the purchase price paid by the Company for the controlling interest and an independent valuation.

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Notes to Consolidated Financial Statements

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(Amounts in thousands)

Eurostar Acquisition

On December 23, 2020, the Company signed a securities purchase agreement with Olympiade and Union Chimique Participation to acquire 100% of Eurostar Engineering Plastics, a French-based compounder with a broad portfolio of flame-retardant engineered plastics and expertise in halogen-free formulations, (the Acquisition) for a cash consideration of €11,000 of which €10,000 has been paid as of December 31, 2021, and €1,000 to be paid by December 31, 2022.

This strategic Acquisition feeds into the Company's long-term growth strategy to grow its global manufacturing and distribution footprint and to provide our customers with a broader portfolio of high performance, sustainable products to meet increasing demand.

The Acquisition was fully executed and closed on January 4, 2021, and has been accounted for as a business combination, using the acquisition method. The following table represents the final allocation of total purchase price to the identifiable assets acquired and the liabilities assumed based on the fair values as of the acquisition date.

		Fair value at acquisition date
Current assets	$	9,158
Property, plant and equipment		2,946
Intangible assets:		
Technology		1,100
Trade name		900
Deferred tax assets		1,665
ROU assets		4,024
Other long-term assets		174
Total assets acquired		19,967
Current liabilities		2,245
Operating lease liabilities		4,024
Noncurrent liabilities		579
Total liabilities assumed		6,848
Total purchase price		13,119
Less: cash acquired		(356)
Total purchase price, net of cash acquired	$	12,763

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All acquired intangible assets are subject to amortization with weighted average useful life of approximately 18 years. The estimated useful lives of the definite lived assets range between 15 and 20 years. No goodwill was identified and recorded from the acquisition.

Transaction costs spent in fiscal year 2020 related to the acquisition are recorded in selling, general, and administrative expenses. These costs are not material. The acquisition of Eurostar Engineering Plastics was not material to the results of our operations.

(7) Leases

The majority of the Companies leases are operating leases. Our leases include real estate, vehicles, marine vessels/barges, railcars, chassis, forklifts, shop equipment and tools, factory machinery, office equipment (including IT equipment), storage tanks, and nitrogen/hydrogen facilities. The Company elects the practical expedient, where applicable, to not separate lease from non-lease components for all classes of underlying assets excluding real estate, which is expected to simplify the identification and tracking of payment streams.

At inception of a contract, we determine if the contract contains a lease. When a lease is identified, we recognize a right-of-use asset and a corresponding lease liability based on the present value of the lease payments over the lease term discounted using our incremental borrowing rate, unless an implicit rate is readily determinable. Lease payments include fixed and variable lease components. Variable components generally represent a service that the lessee is paying for within the terms of the contract and that the lessor is providing in addition to the lease component (the use of identified property, plant, or equipment). Options to extend or terminate the lease are reflected in the lease payments and lease term when it is reasonably certain that we will exercise those options. Ascend elects to implement an accounting policy for each of its underlying asset classes, with terms of 12 months or less, whereby these transactions will be recognized as “short term” and therefore not recognized on the balance sheet. Instead, these transactions will be expensed on a straight-line basis as incurred.

The components of lease cost for operating and finance leases are as follows:

Lease cost		Year ended December 31, 2022		Year ended December 31, 2021
Operating lease cost	$	37,949	$	37,622
Finance lease cost				
Amortization of right-of-use assets		6,738		1,590
Interest on lease liabilities		5,526		168
Total finance lease cost		12,263		1,758
Short-term lease cost		8,096		2,777
Variable lease cost		562		452
Total lease cost	$	58,871	$	42,609

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

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(Amounts in thousands)

The following table provides supplemental cash flow information related to leases:

Other lease information	Year ended December 31, 2022	Year ended December 31, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 38,117	$ 37,925
Operating cash flows for finance leases	4,446	164
Financing cash flows for finance leases	12,168	1,600

The following table summarizes the lease terms and discount rates at December 31, 2022.

Lease term and discount rate	Year ended December 31, 2022
Weighted average remaining lease term:	
Operating leases (in years)	3.8
Finance leases (in years)	5.5
Weighted average discount rate:	
Operating leases	6.0 %
Finance leases	6.8 %

The following table provides the maturities of lease liabilities at December 31, 2022:

Maturities of lease liabilities	Operating leases	Finance leases
2023	$ 43,583	$ 31,540
2024	29,678	28,796
2025	25,600	25,616
2026	9,404	23,716
2027	5,054	22,494
Thereafter	6,990	57,627
Total future undiscounted lease payments	120,309	189,789
Less imputed interest	(35,012)	(37,627)
Total present value of lease liabilities	$ 85,297	$ 152,162

(8) Cogeneration Project Financing

Ascend entered into a Master Lease Agreement (the “Agreement”) with Citizens Asset Finance (“CAF”) effective March 13, 2020. The Agreement terms include a commitment for cogeneration facility financing in the amount of up to $165,000. Ascend is deemed to have control of the asset during the construction period.

The lease term extends from the date of the Agreement through July 2028, with an option to renew the lease or purchase the asset at expiration of the lease. The lease commenced July 2022. The interest rate on the financing is based on LIBOR (minimum floating rate of 0.25%), plus a fixed rate of 4% per annum.

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Repayment starts with the commencement at a rate of 2.9167% of the aggregate amount of all advances as of the commencement date, paid quarterly.

Upon expiration of the lease term, the Company can purchase the assets for a price equal to 30% of the aggregate amount of all advances plus all taxes and charges upon sale and all other amounts accrued and unpaid under the lease. Citizens Asset Finance (as Agent) shall convey to the Company (as Lessee) all right, title and interest in the project.

Under the provisions of ASC 842, Leases, the construction asset financing arrangement with CAF did not qualify as a sale and leaseback because of the purchase option as described above and is considered a "failed" sale and leaseback for accounting purposes. Accordingly, the Company derecognized the amounts previously recorded to property, plant and equipment and liability related to the cogeneration facility, both of $158,085, and recognized a financing lease right of use asset and lease liability, both of $158,085. No gain or loss was recorded on the "failed" sale and leaseback.

As the cogeneration facility was considered property, plant, and equipment through June 30, 2022, approximately $9,200 in construction costs associated with the financing was capitalized as property, plant, and equipment in the year ended December 31, 2022, including interest of $3,400.

(9) Related Parties

During 2022 and 2021, the Company had certain related-party transactions with SK, the Company's majority shareholder.

(a) Income Statement

Related-party transactions impacting the income statement during 2022 and 2021 were as follows (amounts included in selling, general, and administrative expenses):

	Years ended December 31	
	2022	**2021**
Management fees	$ 3,000	$ 3,000

(b) APM DISC

On October 22, 2010, the Company's shareholders established a new subsidiary, APM DISC, Holdings, LLC (APM DISC Holdings), and APM DISC Holdings established a new subsidiary, APM DISC, Inc. (APM DISC), which made the election for APM DISC to be treated as an Interest Charge Domestic International Sales Corporation (IC-DISC) under the Internal Revenue Code and the regulations promulgated thereunder. The structure allows exporters (the Company) to minimize U.S. corporate taxation on a portion of income from export sales by allowing a deductible commission to be paid from the exporting corporation to the IC-DISC entity. The commission income received by the IC-DISC entity is not subject to U.S. corporate income tax, but the commission is taxable to the individual shareholders of the IC-DISC at the enacted qualified dividend rate. The exporter (the Company) is allowed to deduct the commission amount paid to the IC-DISC entity from its ordinary income. The Company had commissions payable to APM DISC of approximately $92,861 and

(Amounts in thousands)

$123,507 as of December 31, 2022, and 2021, respectively. For the years ended December 31, 2022, and 2021, the Company had approximately $89,366 and $122,199, respectively, of commission expense.

(c) Debt

Related-party debt as of December 31, 2022, and 2021 consists of the following:

	2022	2021
APM DISC	$ 136,121	$ 43,887

In February 2022, the Company repaid $80,000 in commissions to APM DISC Holdings and APM DISC Holdings loaned back $80,000 in the form of a loan payable on demand with a maturity date of February 28, 2027, and an interest rate of 0.15%. In December 2022, the Company repaid $40,012 in commissions to APM DISC Holdings and loaned back $40,012 in the form of a loan payable on demand with a maturity date of December 31, 2027, and an interest rate of 0.15%. On December 11, 2021, the Company repaid $20,179 in commissions to APM DISC Holdings and loaned back $20,179 on the same date, in the form of a loan payable on demand with a maturity date of December 8, 2026, and an interest rate of 0.33%. The loan payables have an interest rate equal to the lesser of (a) the short term Applicable federal rate, compounded quarterly, as published by the United States Internal Revenue Service at date of issuance and (b) the maximum non-usurious rate of interest per annum permitted by applicable law. During the year ended December 31, 2021, The Company repaid $27,778 of the loan. Each of the promissory notes underlying these notes payable do not provide for additional borrowing capacity.

In February 2023, the Company repaid $60,000 in commissions to APM DISC Holdings and APM DISC Holdings loaned back $60,000 in the form of a loan payable on demand with a maturity date of December 31, 2028, and an interest rate of 4.47%.

(10) Debt

Long-term debt as of December 31, 2022, and 2021 consists of the following:

(a) Term Loan B

On August 27, 2019, the Company refinanced the 2016 Term Loan B from a principal amount of $500,000 to $1,100,000 (the Term Loan B). The transaction was treated as a modification of the terms of the original loan. The outstanding balance at the date of refinancing was $481,809. The maturity of the new loan is August 2026, payable in quarterly installments of $2,750 through June 30, 2026, with a final installment of $1,025,750 due August 2026 before any consideration of excess cash flow payments. When applicable, excess cash flow payments are due April 30 of each year effective 2021 through 2025. These payments will decrease the final installment due August 2026.

On September 16, 2022, the Company amended its Term Loan B, changing the underlying interest rate structure from LIBOR to Secured Overnight Financing Rate (SOFR).

Term Loan B interest at a rate per annum equal to, at our option, either (a) a base rate or (b) SOFR, with a minimum amount of 0.75%, plus a margin of 4.75% per annum. The interest rate at the close of business on December 31, 2022, and 2021 were 8.8% and 5.5%, respectively. The December 31, 2022, and 2021 rates were based on the SOFR and LIBOR, respectively.

Term Loan B is structured as a loan syndicated with various institutional lenders only.

As of December 31, 2022, the Company had $20,837 in debt discount and deferred debt issuance costs that are amortized over the life of Term Loan B using the effective interest method. Amortization of $5,696 and $5,721 was recognized in 2022 and 2021, respectively, and is presented as a part of interest expense in the consolidated statements of income and comprehensive income.

Term Loan B has an interest rate cap in place subject to annual renewal and is presented as part of interest expense in the consolidated statements of income and comprehensive income.

Under the terms of Term Loan B, we are subject to certain financial covenants, which include the maintenance of a maximum consolidated net leverage ratio prior to and after declaring dividends and a restriction on the amount of capital expenditures. As of December 31, 2022, the Company was in compliance with the covenants.

(b) Credit Facility

On August 27, 2019, in conjunction with the Term Loan B refinance, the Company refinanced the credit facility to the third amended and restated credit agreement (the Credit Facility). The transaction was treated as a modification of the terms of the previous credit facility. The line of credit was increased by $25,000 to $400,000, of which $30,000 may be used to support letters of credit issued on behalf of the Company. The refinancing also extended the maturity of the agreement from August 2024 to October 2027.

As of December 31, 2021, there was $34,995 outstanding on the credit facility and outstanding letters of credit totaling $10,630. As of December 31, 2022, there was $215,000 outstanding on the credit facility and outstanding letters of credit totaling $12,665. Average interest rates at the close of business on December 31, 2022, and 2021 were 5.6% and 3.5% for borrowing, average guarantee fees of 0%, and interest charges of 1.25% on letters of credit, respectively.

On October 28, 2022, the Company amended its Credit Facility to increase its maximum credit line to $500 million. Among other changes, the amendment changed the underlying interest rate structure from LIBOR to SOFR and added a new member to the lending syndicate.

As of December 31, 2022, the Company has $2,622 in deferred debt issue costs that will be amortized over the life of the credit facility. Amortization of $771 and $319 was recognized in 2022 and 2021, respectively, and is presented as a part of interest expense in the consolidated statements of income and comprehensive income. Under the terms of our credit facility, we are subject to certain financial covenants, which include the maintenance of a fixed coverage ratio in conjunction with minimum excess availability in the credit facility. As of December 31, 2022, the Company was in compliance with the covenants under the credit facility.

(Amounts in thousands)

(c) Suzhou Debt

On September 4, 2020, the Company's foreign subsidiary located in Suzhou, China entered into a Chinese Renminbi (RMB) 133,000 ($19,275) five-year term loan with a local financial institution. The purpose of the loan was to partially finance an RMB 252,000 ($36,000) project to manufacture modified plastics; including without limitation to finance expenditures on the procurement of fixed assets and repair/improve fixed assets. The loan is to be repaid from cash generated from the operations of the foreign subsidiary.

Interest on the loan is based on a one-year loan market quoted interest rate (the Loan Prime Rate) published by the National Interbank Funding Center on the previous working day of the interest commencement date; minus a 0.15% fixed rate. The Loan Prime Rate is to be adjusted every 12 months on the previous working day of the interest rate adjustment date. The average interest rate for borrowings at the close of business on December 31, 2022, and 2021 was 3.6%. The rate of default is at most 150% of the loan interest. Interest is paid on a monthly basis.

The term loan agreement allows a drawdown period between September 4, 2020, and December 31, 2023, in accordance to actual needs of the project.

As of December 31, 2022, RMB 113,209 ($16,411) is included as a liability in our balance sheet and 13,091 ($1,897) is available under the credit facility for future draws. As of December 31, 2022, the Company made a total repayment of RMB 6,200 ($929) to the credit facility. Repayment of the liability under the facility is as follows:

	RMB	USD
Years:		
2023	7,511	$ 1,089
2024	19,514	2,829
2025	86,184	12,493
2026	—	—
Thereafter	—	—
	113,209	$ 16,411

Under the terms of the loan, we are subject to certain obligations which the Company was in compliance with as of the date of financials statement issuance.

(d) Lianyungang Debt

On July 7, 2022, the Company's foreign subsidiary located in Lianyungang City, China entered into a RMB 800,000 ($115,968) five-year term loan with a local financial institution. The purpose of the loan was to meet the needs for the manufacturing of a 1,6-hexanediamine plant. The loan is to be repaid from cash generated from the operations of the foreign subsidiary.

(Amounts in thousands)

Interest on the loan is based on the Loan Prime Rate (adjusted monthly as noted above) minus a 0.30% fixed rate. The interest rate for borrowings at the close of business on December 31, 2022 was 3.4%. The rate of default is at most 150% of the loan interest. Interest is paid on a monthly basis.

As of December 31, 2022, RMB 234,217 ($33,952) is included as a liability in our balance sheet and RMB 565,783 ($82,016) is available under the credit facility for future draws. As of December 31, 2022, the Company made no payments to the credit facility. Repayment of the liability under the facility is as follows:

	RMB	USD
Years:		
2024	14,639	$ 2,122
2025	58,554	8,488
2026	73,193	10,610
2027	87,831	12,732
Thereafter	—	—
	234,217	$ 33,952

Under the terms of the loan, we are subject to certain obligations which the Company was in compliance with as of the date of financials statement issuance.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and December 31, 2021

(Amounts in thousands)

(11) Income Taxes

(a) Income Taxes

Income tax expense (benefit) attributable to income from continuing operations consists of the following:

	Years ended December 31	
	2022	2021
Current:		
Federal	$ 1,118	$ 34
State	452	458
Foreign	4,641	9,727
	6,211	10,219
Deferred:		
Federal	(5,566)	16,420
State	3,692	1,965
Foreign	36	264
	(1,838)	18,649
Total	$ 4,373	$ 28,868

(b) Tax Rate Reconciliation

Income tax expense (benefit) differed from the amounts computed by applying the U.S. federal statutory income tax rate of 21% to income before income taxes as a result of the following:

	Years ended December 31	
	2022	2021
Income tax at federal statatory rate	$ (362)	$ 31,416
State income taxes, net of federal income tax benefits	4,049	2,326
Foreign taxes	1,414	(127)
Research and development credits	(4,341)	(7,357)
Remeasurement of deferred taxes	1,037	547
Non-deductible expenses	2,837	5,439
Other	(261)	(3,376)
Total	$ 4,373	$ 28,868

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and December 31, 2021

(Amounts in thousands)

(c) Deferred Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2022 and 2021 are presented below:

		2022		2021
Deferred tax assets:				
Accrued liabilities	$	6,822	$	4,109
Allowance for doubtful accounts		116		54
Accrued pension benefits		1,949		1,001
Foreign tax credits		4,175		7,086
Research and development credits		5,098		4,680
Combined heat and power credit		9,130		5,208
Net operating loss carryforward		65,202		37,779
ROU lease assets		22,613		22,507
Other		37,278		16,654
Total gross deferred tax assets		152,383		99,078
Less valuation allowance		(8,710)		(10,440)
Net deferred tax assets	$	143,673	$	88,638

		2022		2021
Deferred tax liabilities:				
Inventories	$	12,596	$	8,814
Property, plant, and equipment		197,929		149,790
Deferred catalyst		10,778		7,614
Operating lease liability		22,549		22,443
Other		668		2,142
Total gross deferred tax liabilities		244,519		190,803
Net deferred tax liability	$	100,846	$	102,165

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred taxes will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryforward periods), projected future taxable income, and tax planning strategies in making the assessment. Management does not believe we will be able to utilize our foreign tax credits due to limitations and have recorded a valuation allowance against the credits. There are certain state net operating losses where it is unlikely that the company will be able to utilize before expiration and a valuation allowance has been recorded for these net operating losses.

Our total valuation allowance as of December 31, 2022, is $8,710 and is attributed to foreign tax credit carryforwards of $4,175 and state net operating losses of $4,535. Our valuation allowance as of December 31, 2021, was $10,440 and was attributed to foreign tax credit carryforwards of $7,086 and state net operating losses of $3,354.

Differences in our future operating results as compared to the estimates utilized in the determination of the valuation allowances could result in adjustments in valuation allowances in future periods. For example, implementation of tax strategies could increase the ability to utilize foreign tax credits.

As of December 31, 2022, the Company has net operating loss carryforwards for federal, state and foreign income tax purposes of $248,183, $197,200 and $21,477 respectively. As of December 31, 2021, the Company has net operating loss carryforwards for federal and state income tax purposes of $127,674 and $195,430, respectively. The U.S. federal net operating losses do not expire. The state net operating losses will expire between 2028 and 2042. Based upon projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowance. The amount of the deferred tax asset considered realizable, however, could be reduced in the future if estimates of future taxable income during the carryforward period are reduced.

On May 11, 2019, Ascend implemented the Ascend EU restructuring, whereby APM European Ltd became the designated distributor for the Ascend EU region and APM Belgium became a support services company. The Company has an unrecognized tax benefit of $2,605 and $2,605 as of December 31, 2022, and 2021, respectively, related to this restructuring.

(12) Owners' Deficit

No dividends were declared or paid by the Company for the years ended December 31, 2022, and 2021.

(13) Pension Benefits

The Company has a noncontributory defined-benefit pension plan, which was frozen in 2004.

The investment policy of the plan reflects the nature of the plan's funding obligations. The assets are invested to provide the opportunity for both income and growth of principal. This objective is pursued as a goal designed to provide required benefits for participants without undue risk.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and December 31, 2021

(Amounts in thousands)

The following table sets forth the plan's benefit obligations, the fair value of plan assets, and funded status at December 31, 2022 and 2021

	Pension benefits			
		2022		2021
Change in benefit obligation:				
Benefit obligation, beginning of year	$	117,874	$	136,626
Service cost		315		395
Interest cost		4,121		3,319
Actuarial loss (gain)		(16,455)		(7,415)
Settlement loss		1,328		2,188
Gross benefits paid		(4,343)		(3,900)
Settlement payments		(5,811)		(13,024)
Administrative expenses		(662)		(315)
Benefit obligation, end of year	$	96,367	$	117,874
Weighted average assumption used to determine				
Benefit obligation at end of year:				
Discount rate		5.4 %		2.8 %

	Pension benefits			
		2022		2021
Change in plan assets:				
Fair value of plan assets, beginning of year	$	110,045	$	122,087
Actual return on plan assets		(17,815)		5,197
Gross benefits paid		(4,343)		(3,900)
Settlement payments		(5,811)		(13,024)
Administrative expenses		(662)		(315)
Fair value of plan assets, end of year	$	81,414	$	110,045

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and December 31, 2021

(Amounts in thousands)

(a) Pension Plan Assets

The asset allocation at the end of 2021 and the target allocation for 2022, by asset category, are as follows:

	Target allocation	
	2022	**2021**
Asset category:		
U.S. equity securities	18 %	18 %
Debt securities	70	70
International equities	12	12
Total	100 %	100 %

	Pension benefits	
	2022	**2021**
Components of net periodic benefit cost:		
Service cost	$ 315	$ 395
Interest cost	4,121	3,319
Expected return on plan assets	(5,151)	(6,290)
Amortization of actuarial loss	1,703	1,398
Settlement loss	1,328	2,188
Net periodic benefit cost	$ 2,316	$ 1,010
Weighted average assumptions used to determine net periodic cost:		
Discount rate (including settlement)	2.8 %	2.4 %
Expected long-term rate of return on plan assets	5.6	5.6
Rate of compensation increase	N/A	N/A

Each fiscal year, we consider several factors when determining the appropriate expected return on assets assumption. While the portfolio composition and economic forecast are reviewed, we additionally will consider the appropriate benchmarks, historical trends, and comparisons to peer companies.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and December 31, 2021

(Amounts in thousands)

(b) Funded Status

The funded status at the end of the year and the related amounts recognized in the consolidated statements of financial position are as follows:

	Pension benefits			
		2022		**2021**
Funded status, end of year:				
Fair value of plan assets	$	81,414	$	110,045
Benefit obligations		(96,367)		(117,874)
Funded status	$	(14,953)	$	(7,829)
Amounts recognized in the consolidated statements of financial position consist of:				
Noncurrent liability	$	14,953	$	7,829
	$	14,953	$	7,829
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial loss (gain)	$	23,376	$	18,571
	$	23,376	$	18,571

The Company expects to contribute $0 to its pension plan in 2022.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and December 31, 2021

(Amounts in thousands)

The benefits expected to be paid from the pension plan in each year from 2022 to 2031 are as follows:

		Benefits payments
Year(s) ending December 31:		
2023	$	9,263
2024		9,195
2025		9,184
2026		8,850
2027		11,331
2028 and thereafter		32,884

	Pension plan assets fair value measurements at December 31, 2022							
		Total		Level 1		Level 2		Level 3
Equities and pooled equity funds	$	24,394	$	1,252	$	23,142	$	—
Bonds and pooled bonds funds		56,995		—		56,995		—
Cash and cash equivalent funds		25		—		25		—
Total	$	81,414	$	1,252	$	80,162	$	—

	Pension plan assets fair value measurements at December 31, 2021							
		Total		Level 1		Level 2		Level 3
Equities and pooled equity funds	$	33,185	$	1,299	$	31,886	$	—
Bonds and pooled bonds funds		76,293		—		76,293		—
Cash and cash equivalent funds		567		—		567		—
Total	$	110,045	$	1,299	$	108,746	$	—

(14) Employee Saving Plan

Substantially all of U.S. employees are eligible to participate in the Ascend Performance Materials Savings and Investment Plans (SIP), a 401(k) plan with matching contributions being invested in the same manner as participants' personal SIP contributions, the Company matched employee contributions at 100% of the first 6%, and 50% of next 2% of a participant's qualified contributions for the year ended December 31, 2022, and 2021, respectively.

(15) Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business which could adversely impact the Company. The Company has counterclaims on some of these disputes as well as other claims which could benefit the Company.

We regularly assess the adequacy of legal accruals based on our professional judgment, experience, and the information available regarding our cases. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

The Company's facilities could be subject to potential environmental liabilities primarily relating to contamination caused by former operations at those facilities. Some environmental laws could impose on the Company the entire costs of cleanup regardless of fault or legality of the original disposal. In some cases, the government entity with jurisdiction could seek an assessment of damage to the natural resources caused by contamination from those sites. The Company had no material operating expenditures or accruals for environmental fines, penalties, government-imposed remedial, or corrective actions during the year ended December 31, 2022, or 2021.

(16) Revenue Recognition

The Company earns and recognizes revenue from the manufacture, sale, and delivery of world-class plastics, fibers, and chemicals. Our customer base is mostly made up of entities that operate in the automotive, electrical, consumer, and industrial sectors and are located domestically as well as internationally in the Europe and Asia regions. Approximately 70% of our contract terms are based on a pricing formula that is typically tied to a market index of raw materials. The remaining is based on agreed-upon spot prices.

The nature of the Company's business gives rise to variable considerations, including early payment discounts, rebates and sales promotions, allowances, and bonuses, that generally decrease the transaction price, which reduces revenue. These variable amounts are credited to the customer based on achieving certain levels of sales activity, product returns, or price concessions. Variable consideration also includes surcharges to some of our customers for purchase short falls. These charges increase the transaction price, which increase revenue. The Company has determined that the annual impact of variable considerations is not significant to the statement of operations and financial position.

Our formula-based contracts are highly susceptible to factors outside the Company's influence, including pricing volatility in the raw material market. In addition, we do not have the history of predicting accurately the future pricing of the raw materials that go into the determination of the contract transaction price. As such, it is probable that a reversal of revenue will occur when the uncertainty is subsequently resolved. As such, variable consideration due to the fluctuations in market indices is constrained until such uncertainty is resolved, which is typically monthly.

For the year ended December 31, 2022, and 2021, the Company did not have any significant financing components as payments are received at or shortly after the point of sale. The Company also did not incur any costs to obtain a contract or to fulfill our performance obligations to our customers.

As of December 31, 2022, and 2021, the Company did not capitalize any contract assets as all revenue is billed and presented as trade receivables. Contract liabilities include billings in excess of revenue recognized.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and December 31, 2021

(Amounts in thousands)

(17) Derivatives

The Company used variable-rate LIBOR debt to finance its operations through September and October of 2022, when it amended its amended its debt facilities to SOFR facilities (see Footnote 11 Debt-External parties). The debt obligations expose the Company to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, in December 2019 the Company entered a LIBOR-based interest rate swap agreement from December 31, 2019, through December 31, 2024, to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR. The swap changes the variable-rate cash flow exposure of debt obligations to fixed cash flows. Under the terms of the interest rate swap, the Company received LIBOR-based variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed rate debt for the notional amount of its hedged debt. The Company converted this to a SOFR-based interest rate swap in 2022, and recognized gains on those sales which were included in interest expense, as noted below. As of December 31, 2022, and 2021, the notional amount of debt subject to the interest rate swap agreement was $750,000.

The Company designated the interest rate swap as cash flow hedge at the inception of the contract (December 2019) and changes in the fair value for effective relationships are reported in accumulated other comprehensive income while ineffective relationships are reported within earnings, as part of interest expense. During 2022, the Company de-designated the interest rate swap from being cash flow hedge and reclassified $2,483 from accumulated other comprehensive income to earnings, as part of interest expense. During 2021, the hedging relationship was not effective and therefore the change of fair value of the swap contract recorded within earnings, as part of interest expense

Realized and unrealized (gains) and losses recorded in earnings from the change in the fair value of swap were as follows:

	Twelve Months Ended December 31,	
	2022	2021
Realized (gains) losses	$ (30,333)	$ 11,913
Unrealized gains	(20,284)	(29,564)

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

December 31, 2022 and December 31, 2021

(Amounts in thousands)

The Company records its interest rate swaps on its balance sheet at fair value, with such values reflecting Level 2 measurements. Information regarding the fair value of the interest rate swap on a gross basis is as follows:

	December 31, 2022			December 31, 2021		
Balance sheet caption	Asset	Liability	U.S. Dollar notional	Asset	Liability	U.S. Dollar notional
			(In thousands)			
Other current assets	$ 7,841	$ —	750,000	$ —	$ —	750,000
Other non-current assets	—	—		—	—	
Total asset	$ 7,841	$ —		$ —	$ —	
Accrued liabilities	$ —	$ —	750,000	$ —	$ 9,355	750,000
Other long-term liabilities	—	1,469		—	4,557	
Total liability	$ —	$ 1,469		$ —	$ 13,912	

(18) Subsequent Events

The Company has evaluated significant events and transactions that have occurred from the condensed consolidated statements of financial position date through April 7, 2023, and has determined that there were no other events or transactions other than those disclosed in this report that would require recognition or disclosure in the Company's condensed consolidated financial statements as of and for the period ended December 31, 2022.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Consolidated Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

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KPMG LLP
811 Main Street
Houston, TX 77002

Independent Auditors' Report

The Board of Directors and Owners
Ascend Performance Materials Holdings Inc.:

Opinion

We have audited the consolidated financial statements of Ascend Performance Materials Holdings Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in owners' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

KPMG

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Houston, Texas
March 29, 2024

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Consolidated Statements of Financial Position

December 31, 2023 and 2022

(Amounts in thousands)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 58,784	$ 34,546
Trade receivables, net of allowances of $1,485 and $970, respectively	300,604	328,345
Other receivables	67,091	59,148
Inventories, net	468,061	469,340
Other assets	53,315	56,132
Total current assets	947,855	947,511
Property, plant, and equipment, net of accumulated depreciation of $356,528 and $304,151, respectively	850,304	820,743
Financing lease right-of-use assets, net of accumulated amortization of $30,085 and $18,306, respectively	138,645	150,424
Operating lease right-of-use assets, net of accumulated amortization of $146,670 and $88,337, respectively	80,887	83,740
Other assets	188,576	238,585
Total assets	$ 2,206,267	$ 2,241,003
Liabilities and Owners' Deficit		
Current liabilities:		
Trade accounts payable	$ 367,484	$ 391,316
Debt-related party	217,165	136,121
Accrued liabilities	120,738	112,926
Commissions payable – related party	99,911	92,861
Long-term debt, current maturities	54,273	26,225
Other current liabilities	53,407	55,121
Total current liabilities	912,978	814,570
Term loan B, net	1,027,603	1,035,541
Credit facility	142,068	215,000
Deferred taxes	32,682	100,846
Financing lease liability	114,761	133,449
Operating lease liabilities	48,539	53,567
Other financing liabilities	176,472	—
Other liabilities	116,558	74,646
Total liabilities	2,571,661	2,427,619
Owners' deficit:		
Common stock	98	98
Paid-in capital	42,323	42,323
Retained earnings	806,967	990,250
Dividends declared and paid	(1,174,385)	(1,174,385)
Restricted stock	2,856	2,856
Accumulated other comprehensive loss	(14,944)	(19,788)
Treasury stock	(30,372)	(30,372)
Total owners' deficit	(367,457)	(189,018)
Noncontrolling Interest	2,063	2,402
Total owners' deficit	(365,394)	(186,616)
Total liabilities and owners' deficit	$ 2,206,267	$ 2,241,003

See accompanying notes to consolidated financial statements.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Twelve months ended December 31, 2023 and 2022

(Amounts in thousands)

	2023	2022
Net sales	$ 2,391,772	$ 3,054,265
Cost of goods sold	2,050,586	2,583,778
Gross profit	341,186	470,487
Depreciation and amortization	156,830	136,370
Selling, general, and administrative expense	142,809	156,649
Other operating expense	48,165	51,331
Operating income (loss)	(6,618)	126,137
Interest expense	142,525	42,988
Commissions expense – related party	88,122	89,366
Restructuring expense	10,651	9,136
Other income	(5,525)	(13,628)
Loss before income tax expense	(242,391)	(1,725)
Income tax expense (benefit)	(58,769)	4,373
Net loss including noncontrolling interest	(183,622)	(6,098)
Less: Net income (loss) attributable to noncontrolling interest	339	(36)
Net loss	(183,283)	(6,134)
Other comprehensive income (loss):		
Pension liability, net of tax of $586 and ($670), respectively	4,844	(3,066)
Currency Translation Adjustments	—	(1,180)
Interest rate swap amount reclassified to net loss	—	2,483
Total other comprehensive income (loss)	4,844	(1,763)
Total comprehensive loss	$ (178,778)	$ (7,860)

See accompanying notes to consolidated financial statements.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Consolidated Statements of Changes in Owner's Deficit

Twelve months ended December 31, 2023 and 2022

(Amounts in thousands)

	Common stock	Paid-in capital	Retained earnings	Dividends declared and paid	Restricted stock	Accumulated other comprehensive loss	Treasury stock	Noncontrolling interest	Total owners' deficit
Balance as of December 31, 2021	$ 98	$ 42,323	$ 996,384	$ (1,174,385)	$ 2,856	$ (18,025)	$ (30,372)	$ -	$ (181,121)
Net income (loss)	-	-	(6,134)	-	-	-	-	36	(6,098)
Acquisition of Circular Polymers	-	-	-	-	-	-	-	2,366	2,366
Other comprehensive loss	-	-	-	-	-	(1,763)	-	-	(1,763)
Balance as of December 31, 2022	$ 98	$ 42,323	$ 990,250	$ (1,174,385)	$ 2,856	$ (19,788)	$ (30,372)	$ 2,402	$ (186,616)
Net loss	-	-	(183,283)	-	-	-	-	(339)	(183,622)
Other comprehensive income	-	-	-	-	-	4,844	-	-	4,844
Balance as of December 31, 2023	$ 98	$ 42,323	$ 806,967	$ (1,174,385)	$ 2,856	$ (14,944)	$ (30,372)	$ 2,063	$ (365,394)

See accompanying notes to consolidated financial statements.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Consolidated Statements of Cash Flows

Twelve months ended December 31, 2023 and 2022

(Amounts in thousands)

	2023	2022
Cash flows from operating activities:		
Net income (loss)	$ (183,622)	$ (6,098)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	156,830	136,370
Amortization of deferred financing costs	6,341	4,925
Deferred income tax (benefit) expense	(68,164)	(1,634)
Unrealized gains on derivatives	(4,412)	(17,802)
Other operating activities	2,933	(4,314)
Decrease (increase) in:		
Trade and other receivables	19,040	130,419
Inventories	1,305	(16,554)
Other assets, excluding catalyst and deferred major maintenance	(3,859)	4,559
Catalyst and deferred major maintenance	(37,285)	(160,959)
Right-of-use assets and operating lease liabilities	1,404	(11,202)
Insurance proceeds	—	30,000
Increase (decrease) in:		
Accounts payable - trade, other payables and accruals	(842)	(70,325)
Commissions payable - related party	7,050	(30,646)
Long-term liabilities	(959)	(8,595)
Pension liability	2,649	3,230
Contract liabilities	(102)	(564)
Net cash used in operating activities	(101,693)	(19,190)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(97,748)	(232,811)
Formulated Polymers purchase, net of cash received	—	(31,062)
Circular Polymers purchase, net of cash received	—	(12,030)
Other investing activities	(1,732)	(12,462)
Net cash used in investing activities	(99,480)	(288,365)
Cash flows from financing activities:		
Proceeds from credit facility	944,753	814,166
Proceeds from debt - related party	81,072	120,012
Proceeds from metals finance leaseback	17,799	—
Proceeds from other financing liabilities	186,465	—
Proceeds from debt - fixed asset loan	63,672	33,158
Proceeds from Poliblend notes	6,050	14,306
Proceeds from Suzhou loan	6,105	17,230
Other proceeds	18,845	9,038
Payments on credit facility	(1,017,685)	(634,161)
Payment on other financing liabilities	(1,344)	—
Payment on working capital loan	(14,326)	—
Payments on debt - fixed asset loan	(9,464)	—
Payments on Poliblend notes	(7,338)	(13,656)
Payments on debt-related party	(28)	(27,778)
Payments on term loan	(16,294)	(8,147)
Other payments	(32,871)	(24,985)
Net cash provided by financing activities	225,411	299,183
Net increase (decrease) in cash and cash equivalents	24,238	(8,372)
Cash and cash equivalents, beginning of year	34,546	42,918
Cash and cash equivalents, end of year	$ 58,784	$ 34,546
Supplemental disclosure of noncash investing and financing activities:		
Cash paid during the period for income taxes	$ 4,837	$ 11,777
Cash paid during the period for interest	123,650	80,722
Right-of-use assets obtained in exchange for operating lease obligations	70,167	18,177
Financing lease right-of-use assets	—	169,496
Financing lease right-of-use liability	—	(155,664)
Other noncash investing and financing activities	8,198	8,457

See accompanying notes to consolidated financial statements.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

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(Amounts in thousands)

(1) Description of Business

Ascend Performance Materials Holdings Inc. and its wholly owned subsidiaries (collectively, Ascend or the Company) was formed on June 1, 2009, in connection with the purchase agreement executed by SK Titan Holdings LLC (SK) to purchase 98% of the integrated nylon business segment from Solutia, Inc. (Solutia). The remaining 2% of equity interest in the Company was retained by Solutia. On July 26, 2011, the Company purchased the 2% minority interest and related outstanding shares from Solutia for approximately $30,372. The acquired shares were retained by the Company to be reissued in future periods and classified as treasury stock.

The Company operates thirteen plants in the United States and foreign locations engaged in the manufacturing of chemicals and nylon 6,6 fibers and plastics, and recycling of post-consumer material into plastics. The Company serves global markets and is one of the few fully integrated nylon 6,6 producers. The Company’s products are used in thousands of commercial and industrial products including automotive applications, cable ties, carpet, tires, apparel, agricultural products, and personal care products. The Company’s raw materials are readily available, and the Company is not dependent on a single supplier or only a few suppliers.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation and useful lives of fixed assets, allowances for doubtful accounts and sales returns, deferred tax assets and liabilities, allowance for excess and obsolete inventory, the valuation of and accrual for employee benefit obligations, income tax uncertainties, commission expense–related party, and other contingencies.

(b) Principles of Consolidation

The accompanying consolidated financial statements as of December 31, 2023, and 2022 include the accounts of Ascend Performance Materials Holdings Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation. Ascend consolidates its majority-owned subsidiary.

(c) Cash

Cash consists of balances held in the Company’s bank accounts less outstanding payments. The Company had no restricted cash as of December 31, 2023, or 2022.

(d) Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains a customer-specific allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers customers’ financial condition, the number of receivables in dispute, the current receivables aging, and

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

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current payment patterns. The Company reviews its allowance for doubtful accounts on a quarterly basis.

(e) Other Receivables

Other receivables are recorded at the invoiced amount and do not bear interest. These consist primarily of amounts due from customers with respect to their operations on the Company's facilities, amounts due with respect to federal and state income taxes, and value-added taxes.

(f) Inventories

The costs of all inventories, both domestic and foreign, including supplies, are determined using the moving-average cost method. All domestic inventories, excluding supplies, fuels, and precious metal catalysts, are revalued to last in-first out (LIFO) cost for financial reporting using a dollar-value LIFO method.

LIFO inventories are stated at the lower of cost or market. Inventories not carried at LIFO are stated at the lower of cost or net realizable value.

Approximately 71% and 66% of all inventories are in the United States as of December 31, 2023, and 2022, respectively, and as noted above are recorded using a dollar-value LIFO method.

The Company records abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) as current period charges.

(g) Revenue Recognition

Revenue is recognized when the Company transfers control of inventories to its customers. Amounts recognized as revenues reflect the consideration to which the Company expects to be entitled in exchange for those inventories. Provisions for discounts, rebates and returns are incorporated in the estimate of variable consideration and reflected as a reduction to revenue in the same period as the related sales. Substantially all our revenues are derived from contracts with customers. Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. This generally occurs at the point in time when performance obligations are fulfilled and control transfers to the customer based on agreed INCOTERMS. In most instances, control transfers upon transfer of risk of loss and title to the customer, which usually occurs when we ship products to the customer from our manufacturing facility or regional warehouses.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at original cost. Plant and equipment under finance leases are stated at the present value of minimum lease payments. Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of buildings is 35 years, while the estimated useful lives of machinery and equipment range from 10 to 20 years. Plant and equipment held under finance leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

Long-lived assets, such as property, plant, and equipment, and software assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

Notes to Consolidated Financial Statements

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(Amounts in thousands)

amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value.

The Company has recorded an impairment of the net book value of certain assets which it planned to retire as of December 31, 2023, in the amount of $1,973 and is recorded in restructuring expense on our 2023 consolidated income statement. Otherwise, there were no 2023 or 2022 impairment indicators identified.

(i) Capitalized Software

Software is recorded in other assets and amortized on the straight-line method over estimated useful lives ranging from three to five years. As of December 31, 2023, and 2022, software net of accumulated amortization amounted to $8,028 and $7,695, respectively. Amortization expense for software was $1,633 and $1,864 for the years ended December 31, 2023, and 2022, respectively.

(j) Intangible Assets

Intangible assets consist of customer relationships, trade names and trademarks, and software costs. These assets are amortized using the straight-line method over their estimated useful lives or over the term of the related agreement. We evaluate definite-lived intangible assets with the associated long-lived asset group for impairment whenever impairment indicators are present. The components of identifiable intangible assets, at cost, and the related accumulated amortization are as follows at:

		December 31, 2023			December 31, 2022		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amort	Net	Gross Carrying Amount	Accumulated Amort	Net
Intangible assets with finite lives:							
Developed technology	18	$ 24,845	$ (4,297)	$ 20,548	$ 24,845	$ (2,997)	$ 21,848
Customer relationships	14	15,200	(1,668)	13,532	12,700	(438)	12,262
Land use right	39	3,513	(300)	3,213	3,513	(210)	3,303
Trademarks/tradenames	15	400	(1)	399	400	(1)	399
Other	18	853	(819)	34	823	(353)	470
Total other intangible assets with finite lives		$ 44,811	$ (7,085)	$ 37,726	$ 42,281	$ (3,999)	$ 38,282

Total estimated amortization expense for the next five years is as follows:

Estimated Amortization Expense	
2024	$ 3,125
2025	3,125
2026	3,085
2027	3,085
2028	3,085

(k) Goodwill

The Company identified and recorded assets acquired, and liabilities assumed in acquisitions at their estimated fair values. Goodwill resulting from a business combination is not subject to amortization. As of December 31, 2023, and 2022, goodwill amounted to $27,559 and $31,022, respectively. Goodwill is comprised of amounts determined in the following business combinations:

- On July 31, 2018, the Company acquired Britannia Techno Polymer B.V;
- On September 1, 2020, the Company acquired Poliblend S.p.A and EssetiPlast GD S.r.l.;
- On May 25, 2022, the Company acquired Formulated Polymers Limited; and
- On November 1, 2022, the Company acquired Circular Polymers, LLC.

Acquisitions during the year ended December 31, 2022 are discussed further in note 6, Acquisitions.

The Company elected the accounting alternative for triggering event assessments at the beginning of 2021 and tests goodwill for impairment when there is a triggering event (e.g., a deterioration in general economic conditions or in the environment in which the Company operates) at the end of a reporting period.

When impairment indicators are identified, the Company compares the reporting unit's fair value to its carrying amount, including goodwill. An impairment loss is recognized as the difference, if any, between the reporting unit's carrying amount and its fair value, to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit. As such, during the fourth quarter of 2023, the Company performed its annual impairment test of goodwill and determined there was no impairment of the carrying value of goodwill.

Indefinite-lived intangible assets are tested for impairment annually, and more frequently when there is a triggering event. Annually, or when there is a triggering event, the Company first performs a qualitative assessment by evaluating all relevant events and circumstances to determine if it is more likely than not that the indefinite-lived intangible assets are impaired; this includes considering any potential effect on significant inputs to determining the fair value of the indefinite-lived intangible assets. When it is more likely than not that an indefinite-lived intangible asset is impaired, then the Company calculates the fair value of the intangible asset and performs a quantitative impairment test.

(l) Turnaround Costs

The Company accounts for turnaround costs under the deferral method. Turnarounds are the scheduled and required shutdowns of specific operating units in order to perform planned major maintenance activities. The costs related to the significant overhaul and refurbishment activities include maintenance materials, parts, and direct labor costs. The costs of the turnaround are deferred when incurred at the time of the planned turnaround and amortized on a straight-line basis over the estimated useful life of the turnaround, which ranges from 3 to 15 years. Deferred turnaround costs are presented as a component of other assets. The cash outflows related to these costs are included in operating activities in the consolidated statements of cash flows. During the years ended December 31, 2023, and 2022, turnaround costs were approximately $16,863 and $133,925, respectively.

Unplanned turnaround costs are expensed as incurred.

(m) Income Taxes

Income taxes are accounted for under the asset-and-liability method. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce its deferred tax assets to the amounts that are more likely than not to be realized. The Company has considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in assessing the need for the valuation allowance.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Company records interest and penalties related to uncertain tax benefits as a component of income tax expense.

(n) Commitments and Contingencies

Liabilities for loss contingencies, including environmental remediation costs not within the scope of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 450, *Contingencies Obligations*, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

Legal costs incurred in connection with loss contingencies are expensed as incurred.

Recoveries of environmental remediation costs from third parties that are probable of realization are separately recorded as assets and are not offset against the related environmental liability.

Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of expected future expenditures for environmental remediation obligations are not discounted to their present value.

(o) Self-Insurance and Insurance Recoveries

The Company maintains self-insurance reserves to reflect its estimate of uninsured losses. Self-insured losses are accrued based upon estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry, the Company’s historical experience, and certain case-specific reserves as required, including estimated legal costs. The maximum extent of the self-insurance provided by the Company is dependent upon a number of factors, including the facts and circumstances of the individual cases and the terms and conditions of the commercial policies. The Company has purchased insurance policies in order to reduce its exposure to workers’ compensation, product, general, automobile, and property liability claims. This insurance has varying policy limits and deductibles.

Insurance recoveries are estimated in consideration of expected losses, coverage limits, and policy deductibles. When recovery from an insurance policy is considered probable, a receivable is recorded to the extent of the recognized loss.

(p) Foreign Currency Translation

The U.S. dollar has been used as the functional currency for all worldwide locations. All foreign currency translations and translation adjustments are included in the operating results of the Company.

(q) Derivative Financial Instruments

Derivative financial instruments are used principally in the management of interest rate exposures and are recorded on the consolidated balance sheets at fair value. If a derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the financial instrument is designated as a cash flow hedge or net investment hedge, the effective portions of changes in the fair value of the derivative are included in other comprehensive income or loss in the consolidated statements of income and comprehensive income, and the cumulative effect is included in the shareholders' deficit section of the consolidated balance sheets. The cumulative changes in fair value are reclassified to the same line as the hedged item in the consolidated statements of income and comprehensive income when the hedged item affects earnings. The Company evaluates hedge effectiveness at inception and on an ongoing basis, and ineffective portions of changes in the fair value of cash flow hedges and net investment hedges are recognized in earnings following the date when ineffectiveness was identified. Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the change included in earnings.

(r) Comprehensive Income

Comprehensive income consists of two components, net income and other comprehensive income. Other comprehensive income refers to revenue, expenses, and gains and losses that, under GAAP, are recorded as an element of shareholders' deficit but are excluded from earnings. Other comprehensive income primarily consists of unrealized losses on retirement related benefit plans, including the income tax impact of those gains or losses, as well as the unrealized loss on a cash flow hedge.

(s) Pension and Other Postretirement Plans

The Company has a noncontributory-defined benefit pension plan, which was frozen in 2004. The benefits are based on age, years of service, and the level of compensation before the plan was frozen. The Company records annual amounts relating to the pension plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return on assets, and turnover rates. The Company reviews the assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income and amortized to net periodic cost over future periods. The Company believes that the assumptions utilized in recording its obligations under its plan are reasonable based on its experience and market conditions.

The FASB guidance on disclosure for pension plans requires disclosure of fair value measurements of plan assets.

(t) Fair Value Measurements

To increase consistency and comparability in fair value measurements, the FASB guidance on fair value measurements established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Observable inputs that reflect quoted market prices for identical assets and liabilities in active markets.
- Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly; the fair value of these investments are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences.
- Level 3 – Unobservable inputs using data that is not corroborated by market data.

(u) Research and Development and Advertising

Research and development and advertising costs are expensed as incurred.

(v) Recently Adopted Accounting Standards

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform — Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (Topic 848). This update provides an optional expedient and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates (“IBORs”) and, particularly, the risk of cessation of the London Interbank Offered Rate (“LIBOR”), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction-based and less susceptible to manipulation. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. In January 2021, the FASB issued ASU No. 2021-01, which clarifies that certain provisions in Topic 848, if elected by an entity, apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. This update was effective for the Company in the first quarter of 2022 and did not have a material impact to the consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*, eliminating certain exceptions to the guidance in ASC Topic 740, *Income Tax*, related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance also clarifies that single member limited liability companies and similar disregarded entities that are not subject to income tax are not required to recognize an allocation of consolidated income tax expense in their separate financial statements, but they could elect to do so. For privately owned entities, the standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted in interim or annual periods. Entities that elect to early adopt must adopt all the amendments in the same period and apply the guidance prospectively, except for certain amendments. The Company adopted this standard in the first quarter of 2022, and it did not have a material impact to the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*, which will change the impairment model for most financial assets and require additional disclosures. The amended guidance requires financial assets that are measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of financial assets. The amended guidance also requires us to consider historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount in estimating credit losses. The amended guidance became effective for us commencing in the first quarter of 2023 and was be applied through a cumulative effect adjustment to the beginning retained earnings in the 2023. It did not have a material impact to the consolidated financial statements, as we had no financial asset measured at amortized costs, and our anticipated credit losses were immaterial.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other* (Topic 250), which allow private companies an alternative accounting treatment for subsequently measuring goodwill. The Update simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Entities will now record an impairment charge based on the excess of a reporting unit's carrying amount (including goodwill) over its fair value derived from step 1 of the goodwill impairment test; limited to the total amount of goodwill allocated to that reporting unit. In November 2019, the FASB issued ASU No. 2019-10 to amend the effective date of adoption. This update was effective for the Company in the first quarter of 2023. It did not have a material impact to the consolidated financial statements.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

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(Amounts in thousands)

(3) Inventory

Inventory as of December 31, 2023, and 2022 consists of the following:

	2023	2022
Raw materials and supplies	$ 159,738	$ 168,286
Goods in process	220,364	136,844
Finished goods	179,355	286,531
Inventories at cost	559,457	591,661
LIFO reserve	(91,396)	(122,321)
Total inventories	$ 468,061	$ 469,340

(4) Property, Plant, and Equipment

Property, plant, and equipment as of December 31, 2023, and 2022 consists of the following:

	2023	2022
Land	$ 56,612	$ 56,451
Buildings	63,712	62,640
Plant and equipment	868,686	828,938
Construction in progress	217,297	176,340
Asset retirement obligations	525	525
Total property, plant, and equipment	1,206,832	1,124,894
Less: accumulated depreciation	(356,528)	(304,151)
Total property, plant, and equipment, net of accumulated depreciation	$ 850,304	$ 820,743

	Depreciation and amortization	
	2023	2022
Property, plant, and equipment	$ 68,461	$ 64,908

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(Amounts in thousands)

(5) Other Assets, noncurrent

Other assets, noncurrent, as of December 31, 2023, and 2023 consists of the following:

	2023	2022
Catalyst and deferred major maintenance	$ 108,931	$ 158,022
Goodwill	27,559	31,022
Software	8,028	7,695
Other Intangible Assets	37,726	38,282
Deposits	6,332	3,564
Total other assets, noncurrent	$ 188,576	$ 238,585

Depreciation and amortization, as of December 31, 2023, and 2022 consists of the following:

	Depreciation and amortization	
	2023	2022
Software	$ 1,633	$ 1,864
Catalysts	18,498	19,125
Turnaround costs	65,153	48,645
Intangible costs	3,085	1,828
	$ 88,369	$ 71,462

Catalysts are primarily precious metals that are used during the Company's manufacturing process and are classified as noncurrent. Catalysts are amortized based on actual usage during the manufacturing process.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

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(6) Acquisitions and Investments

China Production Facility Investment

In January 2022, the Company signed an investment agreement of $145,000, of which $122,800 has been incurred as of December 31, 2023, to construct a new hexamethylene diamine and specialty chemicals plant in Lianyungang, China in the Xuwei New Area Park. The new plant will be the Company's first chemical production facility and the largest investment the company has made outside of the United States. Construction began in Q3 of 2022 with a plant startup targeted for the first half of 2024.

DM Color Acquisition

On April 1, 2022, the Company completed the $7,190 purchase of a compounding facility in San Jose Iturbide, Mexico, (the "DM Color Acquisition") that included the assets of DM Color Mexicana, a joint venture between Dainichiseika and Mitsubishi Corp. The DM Color Acquisition has been accounted for as a business combination, using the acquisition method. Because the fair value of the assets and liabilities of the DM Color Acquisition exceeded the purchase price, a bargain purchase gain of $3,194 was recognized for the year ended December 31, 2022. The following table represents the final allocation of total purchase price to the identifiable assets acquired and the liabilities assumed based on the fair values as of the acquisition date, which are adjusted for measurement-period adjustments through December 31, 2023.

		Fair value at acquisition date
Current assets	$	153
Property, plant and equipment		11,555
Total assets acquired		11,708
Deferred tax liabilities		1,324
Total liabilities assumed		1,324
Assets acquired net of liabilities assumed	$	10,384
Total purchase price, net of cash acquired		7,190
Bargain purchase gain	$	3,194

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Formulated Polymers Acquisition

In March 2022, the Company signed an agreement to acquire the compounding division, along with contracts and workforce, of Formulated Polymers Limited for INR 1,990,000 plus working capital adjustments (approximately $31,062). Formulated Polymers Limited is a leading engineered materials manufacturer in Chennai, India. The deal includes a world-scale manufacturing facility in Chennai as well as warehouses throughout India. The acquisition closed on May 25, 2022 and was accounted for as a business combination. The following table represents the final allocation of total purchase price to the identifiable assets acquired and the liabilities assumed based on the fair values as of the acquisition date, which are adjusted for measurement-period adjustments through December 31, 2023. Goodwill reflects the difference between the purchase price and the acquired assets and liabilities.

		Fair value at acquisition date
Current assets	$	10,740
Property, plant and equipment		4,196
Goodwill		5,482
Customer relationships		13,500
Total assets acquired		33,918
Current liabilities		2,856
Total liabilites assumed		2,856
Total purchase price, net of cash acquired	$	31,062

Property, plant and equipment consists of land and buildings with a value of $2,156 and equipment with a value of $2,040, with estimated remaining useful lives of between 5 and 14 years. Customer relationships of $13,500 reflect the future economic profits associated with Formulated Polymers Limited's customers in place at the acquisition date. These relationships are expected to continue into the future, and therefore represent future economic profits of the business. They will be amortized over their estimated life of 15 years. Goodwill reflects the excess of the purchase price over the fair values of the net assets and liabilities acquired, and is mainly attributable to acquired workforce, expected synergies, and other factors.

(Amounts in thousands)

Acquisition of Circular Polymers, LLC

On November 1, 2022, the Company closed on its acquisition of an 85% interest in Circular Polymers, LLC (Circular Polymers), a recycler of post-consumer, high-performance polymers based in California, for a purchase price of $12,030, net of cash acquired. The acquisition was accounted for as a business combination, and because the Company will control Circular Polymers, it will be consolidated in the Company's consolidated financial statements. The following table represents the final allocation of total purchase price to the identifiable assets acquired and the liabilities assumed based on the fair values as of the acquisition date. Goodwill reflects the difference between the purchase price and the acquired assets and liabilities, which are adjusted for measurement-period adjustments through December 31, 2023.

		Fair value at acquisition
Current assets	$	3,385
Property, plant and equipment		5,662
Goodwill		4,125
Technology		2,300
Customer relationships		1,800
Trade name		400
Total assets acquired		17,672
Current liabilities		950
Long term portion of debt		1,118
Total liabilites assumed		2,068
Less: Noncontrolling interest		(2,366)
Total purchase price		13,238
Less: cash acquired		(1,208)
Total purchase price, net of cash acquired	$	12,030

Property, plant and equipment consists of equipment with a value of $5,662, with estimated remaining useful lives of between 1 and 10 years. Customer relationships of $1,800 reflect the future economic profits associated with Circular customers in place at the acquisition date. These relationships are expected to continue into the future, and therefore represent future economic profits of the business. They will be amortized over their estimated life of 15 years. Goodwill reflects the excess of the purchase price over the fair values of the net assets and liabilities acquired, and is mainly attributable to acquired workforce, expected synergies, and other factors.

The fair value of the noncontrolling interest at the acquisition date is $2,366 and was determined based on the purchase price paid by the Company for the controlling interest and an independent valuation.

In January 2024, the Company acquired an additional 5% of Circular Polymers for $800.

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.

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(Amounts in thousands)

(7) Leases

The majority of the Companies leases are operating leases. Our leases include real estate, vehicles, marine vessels/barges, railcars, chassis, forklifts, shop equipment and tools, factory machinery, office equipment (including IT equipment), storage tanks, and nitrogen/hydrogen facilities. The Company elects the practical expedient, where applicable, to not separate lease from non-lease components for all classes of underlying assets excluding real estate, which is expected to simplify the identification and tracking of payment streams.

At inception of a contract, we determine if the contract contains a lease. When a lease is identified, we recognize a right-of-use asset and a corresponding lease liability based on the present value of the lease payments over the lease term discounted using our incremental borrowing rate, unless an implicit rate is readily determinable. Lease payments include fixed and variable lease components. Variable components generally represent a service that the lessee is paying for within the terms of the contract and that the lessor is providing in addition to the lease component (the use of identified property, plant, or equipment). Options to extend or terminate the lease are reflected in the lease payments and lease term when it is reasonably certain that we will exercise those options. Ascend elects to implement an accounting policy for each of its underlying asset classes, with terms of 12 months or less, whereby these transactions will be recognized as “short term” and therefore not recognized on the balance sheet. Instead, these transactions will be expensed on a straight-line basis as incurred.

Cogeneration Project Financing

Ascend entered into a Master Lease Agreement (the “Agreement”) with Citizens Asset Finance (“CAF”) effective March 13, 2020. The Agreement terms include a commitment for cogeneration facility financing in the amount of up to $165,000. Ascend is deemed to have control of the asset during the construction period.

The lease term extends from the date of the Agreement through July 2028, with an option to renew the lease or purchase the asset at expiration of the lease. The lease commenced July 2022. The interest rate on the financing is based on LIBOR (minimum floating rate of 0.25%), plus a fixed rate of 4% per annum. Repayment starts with the commencement at a rate of 2.9167% of the aggregate amount of all advances as of the commencement date, paid quarterly.

Upon expiration of the lease term, the Company can purchase the assets for a price equal to 30% of the aggregate amount of all advances plus all taxes and charges upon sale and all other amounts accrued and unpaid under the lease. Citizens Asset Finance (as Agent) shall convey to the Company (as Lessee) all right, title and interest in the project.

Under the provisions of ASC 842, Leases, the construction asset financing arrangement with CAF did not qualify as a sale and leaseback because of the purchase option as described above and is considered a “failed” sale and purchase for accounting purposes. Accordingly, the Company derecognized the amounts previously recorded to property, plant and equipment and liability related to the cogeneration facility, both of $158,085, and recognized a financing lease right of use asset and lease liability, both of $158,085. No gain or loss was recorded on the “failed” sale and purchase.

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As the cogeneration facility was considered property, plant, and equipment through June 30, 2022, approximately $9,200 in construction costs associated with the financing was capitalized as property, plant, and equipment in the year ended December 31, 2022, including interest of $3,400. No changes were made to the CAF agreement during 2023.

The components of lease cost for operating and finance leases are as follows:

Lease cost		Year ended December 31, 2023		Year ended December 31, 2022
Operating lease cost	$	60,008	$	37,949
Finance lease cost				
Amortization of right-of-use assets		11,680		6,738
Interest on lease liabilities		9,829		5,525
Total finance lease cost		21,509		12,263
Short-term lease cost		12,701		8,096
Variable lease cost		282		563
Total lease cost	$	94,500	$	58,871

The following table provides supplemental cash flow information related to leases:

Other lease information		Year ended December 31, 2023		Year ended December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows for operating leases	$	59,977	$	38,117
Operating cash flows for finance leases		7,559		4,446
Operating cash flows from variable payments		296		-
Financing cash flows for finance leases		23,981		12,168

The following table summarizes the lease terms and discount rates at December 31, 2023.

Lease term and discount rate	Year ended December 31, 2023
Weighted average remaining lease term:	
Operating leases (in years)	3.2
Finance leases (in years)	4.5
Weighted average discount rate:	
Operating leases	6.0 %
Finance leases	6.8 %

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The following table provides the maturities of lease liabilities at December 31, 2023:

Maturities of lease liabilities		Operating leases		Finance leases
2024	$	37,741	$	28,796
2025		27,442		25,616
2026		11,103		23,716
2027		6,176		22,494
2028		4,008		57,591
Thereafter		4,146		37
Total future undiscounted lease payments		90,616		158,250
Less imputed interest		(8,031)		(27,796)
Total present value of lease liabilities	$	82,585	$	130,454

(8) Related Parties

During 2023 and 2022, the Company had certain related-party transactions with SK, the Company's majority shareholder.

(a) Income Statement

Related-party transactions impacting the income statement during 2023 and 2022 were as follows (amounts included in selling, general, and administrative expenses):

	Years ended December 31			
		2023		2022
Management fees	$	3,000	$	3,000

(b) APM DISC

On October 22, 2010, the Company's shareholders established a new subsidiary, APM DISC, Holdings, LLC (APM DISC Holdings), and APM DISC Holdings established a new subsidiary, APM DISC, Inc. (APM DISC), which made the election for APM DISC to be treated as an Interest Charge Domestic International Sales Corporation (IC-DISC) under the Internal Revenue Code and the regulations promulgated thereunder. The structure allows exporters (the Company) to minimize U.S. corporate taxation on a portion of income from export sales by allowing a deductible commission to be paid from the exporting corporation to the IC-DISC entity. The commission income received by the IC-DISC entity is not subject to U.S. corporate income tax, but the commission is taxable to the individual shareholders of the IC-DISC at the enacted qualified dividend rate. The exporter (the Company) is allowed to deduct the commission amount paid to the IC-DISC entity from its ordinary income. The Company had commissions payable to APM DISC of approximately $99,911 and $92,861 as of December 31, 2023, and 2022, respectively. For the years ended December 31, 2023, and 2022, the Company had approximately $88,122 and $89,366, respectively, of commission expense.

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(c) Debt

Related-party debt as of December 31, 2023, and 2022 consists of the following:

	2023	2022
APM DISC	$ 217,165	$ 136,121

In February 2023, the Company repaid $60,000 in commissions to APM DISC Holdings and APM DISC Holdings loaned back $60,000 in the form of a loan payable on demand with a maturity date of February 28, 2027, and an interest rate of 4.47%. In December 2023, the Company repaid $21,072 in commissions to APM DISC Holdings and loaned back $21,072 in the form of a loan payable on demand with a maturity date of December 31, 2028, and an interest rate of 5.26%. In February 2022, the Company repaid $80,000 in commissions to APM DISC Holdings and APM DISC Holdings loaned back $80,000 in the form of a loan payable on demand with a maturity date of February 28, 2027, and an interest rate of 0.15%. In December 2022, the Company repaid $40,012 in commissions to APM DISC Holdings and loaned back $40,012 in the form of a loan payable on demand with a maturity date of December 31, 2027, and an interest rate of 0.15%.The loan payables have an interest rate equal to the lesser of (a) the short term Applicable federal rate, compounded quarterly, as published by the United States Internal Revenue Service at date of issuance and (b) the maximum non-usurious rate of interest per annum permitted by applicable law. For the years ended December 31, 2023, and 2022, the Company had approximately $5,003 and $118, respectively, of Interest expense related party. During the years ended December 31, 2023 and 2022, the Company repaid $28 and $27,778 of the loan, respectively. Each of the promissory notes underlying these notes payable do not provide for additional borrowing capacity.

(9) Debt

Long-term debt as of December 31, 2023, and 2022 consists of the following:

(a) Term Loan B

On August 27, 2019, the Company refinanced the 2016 Term Loan B from a principal amount of $500,000 to $1,100,000 (the Term Loan B). The transaction was treated as a modification of the terms of the original loan. The outstanding balance at the date of refinancing was $481,809. The maturity of the new loan is August 2026, payable in quarterly installments of $2,750 through June 30, 2026, with a final installment of $1,025,750 due August 2026 before any consideration of excess cash flow payments. When applicable, excess cash flow payments are due April 30 of each year effective 2021 through 2025. These payments will decrease the final installment due August 2026.

On September 16, 2022, the Company amended its Term Loan B, changing the underlying interest rate structure from LIBOR to Secured Overnight Financing Rate (SOFR).

Term Loan B interest at a rate per annum equal to, at our option, either (a) a base rate or (b) SOFR, with a minimum amount of 0.75%, plus a margin of 4.75% per annum. The interest rate at the close of business on December 31, 2023, and 2022 were 10.3% and 8.8%, respectively. The December 31, 2023, and 2022 rates were based on the SOFR and LIBOR, respectively.

Term Loan B is structured as a loan syndicated with various institutional lenders only.

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As of December 31, 2023, the Company had $15,197 in debt discount and deferred debt issuance costs that are amortized over the life of Term Loan B using the effective interest method. Amortization of $5,640 and $5,696 was recognized in 2023 and 2022, respectively, and is presented as a part of interest expense in the consolidated statements of income and comprehensive income.

Term Loan B has an interest rate cap in place subject to annual renewal and is presented as part of interest expense in the consolidated statements of income and comprehensive income.

Under the terms of Term Loan B, we are subject to certain financial covenants, which include the maintenance of a maximum consolidated net leverage ratio prior to and after declaring dividends and a restriction on the amount of capital expenditures. As of December 31, 2023, the Company was in compliance with the covenants.

(b) Credit Facility

On August 27, 2019, in conjunction with the Term Loan B refinance, the Company refinanced the credit facility to the third amended and restated credit agreement (the Credit Facility). The transaction was treated as a modification of the terms of the previous credit facility. The line of credit was increased by $25,000 to $400,000, of which $30,000 may be used to support letters of credit issued on behalf of the Company. The refinancing also extended the maturity of the agreement from August 2024 to October 2027.

As of December 31, 2023, there was approximately $142,000 outstanding on the credit facility and outstanding letters of credit totaling $13,831. As of December 31, 2022, there was $215,000 outstanding on the credit facility and outstanding letters of credit totaling $12,665. Average interest rates at the close of business on December 31, 2023, and 2022 were 8.75% and 5.6% for borrowing, average guarantee fees of 0%, and interest charges of 1.25% on letters of credit, respectively.

On October 28, 2022, the Company amended its Credit Facility to increase its maximum credit line to $500,000 . Among other changes, the amendment changed the underlying interest rate structure from LIBOR to SOFR and added a new member to the lending syndicate.

As of December 31, 2023, the Company has $1,921 in deferred debt issue costs that will be amortized over the life of the credit facility. Amortization of $701 and $771 was recognized in 2023 and 2022, respectively, and is presented as a part of interest expense in the consolidated statements of income and comprehensive income. Under the terms of our credit facility, we are subject to certain financial covenants, which include the maintenance of a fixed coverage ratio in conjunction with minimum excess availability in the credit facility. As of December 31, 2023, the Company was in compliance with the covenants under the credit facility.

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(Amounts in thousands)

(c) Suzhou Debt

On September 4, 2020, the Company's foreign subsidiary located in Suzhou, China entered into a Chinese Renminbi (RMB) 133,000 ($19,275) five-year term loan with a local financial institution. The purpose of the loan was to partially finance a RMB 252,000 ($36,000) project to manufacture modified plastics; including without limitation to finance expenditures on the procurement of fixed assets and repair/improve fixed assets. The loan is to be repaid from cash generated from the operations of the foreign subsidiary.

Interest on the loan is based on a one-year loan market quoted interest rate (the Loan Prime Rate) published by the National Interbank Funding Center on the previous working day of the interest commencement date; minus a 0.15% fixed rate. The Loan Prime Rate is to be adjusted every 12 months on the previous working day of the interest rate adjustment date. The average interest rate for borrowings at the close of business on December 31, 2023, and 2022 was 3.6%. The rate of default is at most 150% of the loan interest. Interest is paid on a monthly basis.

The term loan agreement allows a drawdown period between September 4, 2020, and December 31, 2023, in accordance to actual needs of the project.

As of December 31, 2023, RMB 116,686 ($16,423) is included as a liability in our balance sheet. As of December 31, 2023, the Company made a total repayment of RMB 15,080 ($2,123) to the credit facility. Repayment of the liability under the facility is as follows:

	RMB	USD
Years:		
2024	21,542	3,032
2025	95,144	13,391
Thereafter	—	—
	116,686	$ 16,423

Under the terms of the loan, we are subject to certain obligations which the Company was in compliance with as of the date of financials statement issuance.

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(d) Lianyungang Debt

On July 7, 2022, the Company's foreign subsidiary located in Lianyungang City, China entered into a RMB 800,000 ($115,968) five-year term loan with a local financial institution. The purpose of the loan was to meet the needs for the manufacturing of a 1,6-hexanediamine plant. The loan is to be repaid from cash generated from the operations of the foreign subsidiary.

Interest on the loan is based on the Loan Prime Rate (adjusted yearly as noted above) minus a 0.30% fixed rate. The interest rate for borrowings at the close of business on December 31, 2023 was 3.3%. The rate of default is at most 150% of the loan interest. Interest is paid on a quarterly basis.

As of December 31, 2023, RMB 624,363 ($88,160) is included as a liability in our balance sheet and RMB 171,637 ($27,807) is available under the credit facility for future draws. As of December 31, 2023, the Company made no payments to the credit facility. Repayment of the liability under the facility is as follows:

	RMB	USD
Years:		
2024	39,148	$ 5,510
2025	156,591	22,040
2026	195,738	27,550
2027	234,886	33,060
Thereafter	—	—
	626,363	$ 88,160

Under the terms of the loan, we are subject to certain obligations which the Company was in compliance with as of the date of financials statement issuance.

(e) Sale-leasebacks Accounted For As Other Financing Liabilities

Metals Leases

From January 20 to March 7, 2023, the Company entered into sale-leaseback transactions for precious and semi-precious metals used at certain of its production facilities for approximately two years each, for proceeds of $17,799. In each of these transactions Ascend, as seller-lessee, has the obligation to purchase the amount of metals subject to the lease at the market price or deliver an equivalent amount to the buyer-lessor in the future. Accordingly, no sale or lease was recognized in the Company's consolidated financial statements and the proceeds were recognized as financing liabilities on its consolidated balance sheet. The obligations to purchase or deliver the metals at the end of the transactions are recorded as derivatives in the Company's consolidated financial statements, marked to fair value at the balance sheet date on the consolidated balance sheet, with the gain or loss recognized in income in its consolidated income statement. Our metals leases are included in long-term debt, current maturities and other financing liabilities depending on whether they are short or long-term in nature within our consolidated balance sheet. As of December 31, 2023, the company had approximately $1,441 and $10,897 of long-term debt, current maturities and other financing liabilities, respectively. The gain or loss from the metals lease is included other income on our consolidated income statement and for the year ended December 31, 2023, we recognized $5,461.

(Amounts in thousands)

Fixed Asset Leases

The Company entered into several sale-leaseback transactions for its fixed assets during 2023. In each case, the sale-leaseback contained an option for Ascend, as seller-lessee, to purchase the asset at fair market value from the buyer-lessor at a later date. These transactions were therefore accounted for as “failed sale-leasebacks” wherein no sale or lease was recognized in the Company’s consolidated financial statements, and the proceeds were recognized as financing liabilities on the consolidated balance sheet. Our fixed asset leases are included in long-term debt, current maturities and other financing liabilities depending on whether they are short or long-term in nature within our consolidated balance sheet.

These transactions were as follows:

- On October 19, 2023 we entered into a sale-leaseback of certain rectifiers at our Decatur facility for six years for proceeds of $16,000;
- On November 28, 2023 we entered into a sale-leaseback of our new Pensacola Thermal Reduction Unit 2 for seven years for proceeds of $20,000; and
- On December 27, 2023 we entered into a sale-leaseback of certain of our Decatur and Pensacola HMD production and ancillary assets for six years for proceeds of $150,000.

Repayments of the liability under the cogeneration financing, the metals leases, and the asset leases accounted for as failed sale-leasebacks are as follows:

Years:		
2024	$	20,763
2025		32,173
2026		23,679
2027		26,354
2028		29,333
Thereafter		65,157
	$	197,459

(10) Income Taxes

(a) Income Taxes

Income tax expense (benefit) attributable to income from continuing operations consists of the following:

	Years ended December 31	
	2023	2022
Current:		
Federal	$ 601	$ 1,118
State	3,479	452
Foreign	6,819	4,641
	10,899	6,211
Deferred:		
Federal	(58,756)	(5,566)
State	(7,868)	3,692
Foreign	(3,044)	36
	(69,668)	(1,838)
Total	$ (58,769)	$ 4,373

(b) Tax Rate Reconciliation

Income tax expense (benefit) differed from the amounts computed by applying the U.S. federal statutory income tax rate of 21% to income before income taxes as a result of the following:

	Years ended December 31	
	2023	2022
Income tax at federal statatory rate	$ (51,110)	$ (362)
State income taxes, net of federal income tax benefits	(5,119)	4,049
Foreign taxes	(596)	1,414
Research and development credits	-	(4,341)
Remeasurement of deferred taxes	(4,530)	1,037
Non-deductible expenses	2,816	2,837
Other	(230)	(261)
Total	$ (58,769)	$ 4,373

(c) Deferred Taxes

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

	2023	2022
Deferred tax assets:		
Accrued liabilities	$ 6,630	$ 6,822
Allowance for doubtful accounts	176	116
Accrued pension benefits	870	1,949
Foreign tax credits	4,047	4,175
Research and development credits	5,438	5,098
Combined heat and power credit	9,130	9,130
Net operating loss carryforward	49,720	65,202
Disallowed Interest Carryforward	34,339	15,265
R&E Expenditures	15,234	8,863
ROU lease assets	22,282	22,613
Other	4,294	13,150
Total gross deferred tax assets	152,160	152,383
Less valuation allowance	(8,681)	(8,710)
Net deferred tax assets	$ 143,479	$ 143,673

	2023	2022
Deferred tax liabilities:		
Inventories	$ 12,962	$ 12,596
Property, plant, and equipment	128,951	197,929
Deferred catalyst	9,609	10,778
Operating lease liability	22,218	22,549
Other	2,421	667
Total gross deferred tax liabilities	176,161	244,519
Net deferred tax liability	$ 32,682	$ 100,846

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred taxes will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryforward periods), projected future taxable income, and tax planning strategies in making the assessment. Management does not believe we will be able to utilize our foreign tax credits due to limitations and have recorded a valuation allowance against the credits. There are certain state net operating losses where it is unlikely that the company will be able to utilize before expiration and a valuation allowance has been recorded for these net operating losses.

Our total valuation allowance as of December 31, 2023, is $8,681 and is attributed to foreign tax credit carryforwards of $4,047 and state net operating losses of $4,634. Our valuation allowance as of December 31, 2022, was $8,710 and was attributed to foreign tax credit carryforwards of $4,175 and state net operating losses of $4,535.

Differences in our future operating results as compared to the estimates utilized in the determination of the valuation allowances could result in adjustments in valuation allowances in future periods. For example, implementation of tax strategies could increase the ability to utilize foreign tax credits.

As of December 31, 2023, the Company has net operating loss carryforwards for federal, state and foreign income tax purposes of $168,457, $142,051 and $31,644 respectively. As of December 31, December 31, 2022, the Company has net operating loss carryforwards for federal and state and foreign income tax purposes $248,183, $197,200, and $21,477 respectively. The U.S. federal net operating losses do not expire. The state net operating losses will expire between 2028 and 2042. Based upon projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowance. The amount of the deferred tax asset considered realizable, however, could be reduced in the future if estimates of future taxable income during the carryforward period are reduced.

(11) Owners' Deficit

No dividends were declared or paid by the Company for the years ended December 31, 2023, and 2022.

(12) Pension Benefits

The Company has a noncontributory defined-benefit pension plan, which was frozen in 2004.

The investment policy of the plan reflects the nature of the plan's funding obligations. The assets are invested to provide the opportunity for both income and growth of principal. This objective is pursued as a goal designed to provide required benefits for participants without undue risk.

The following table sets forth the plan's benefit obligations, the fair value of plan assets, and funded status at December 31, 2023 and 2022

	Pension benefits			
		2023		2022
Change in benefit obligation:				
Benefit obligation, beginning of year	$	96,367	$	117,874
Service cost		662		315
Interest cost		4,975		4,121
Actuarial loss (gain)		857		(16,455)
Settlement loss		—		1,328
Gross benefits paid		(7,647)		(4,343)
Settlement payments		—		(5,811)
Administrative expenses		(680)		(662)
Benefit obligation, end of year	$	94,534	$	96,367
Weighted average assumption used to determine				
Benefit obligation at end of year:				
Discount rate		5.35 %		5.4 %

	Pension Benefits			
		2023		2022
Change in plan assets:				
Fair value of plan assets, beginning of year	$	81,414	$	110,045
Actual return on plan assets		8,807		(17,815)
Gross benefits paid		(7,647)		(4,343)
Settlement payments		-		(5,811)
Administrative expenses		(680)		(662)
Fair value of plan assets, end of year	$	81,894	$	81,414

(a) Pension Plan Assets

The asset allocation at the end of 2022 and the target allocation for 2023, by asset category, are as follows:

	Target allocation	
	2023	2022
Asset category:		
U.S. equity securities	18 %	18 %
Debt securities	70	70
International equities	12	12
Total	100 %	100 %

	Pension Benefits	
	2023	2022
Component of net periodic benefit cost:		
Service cost	$ 662	$ 315
Interest cost	4,975	4,121
Expected return on plan assets	(4,611)	(5,151)
Amortization of actuarial loss	2,793	1,703
Settlement loss	-	1,328
Net periodic benefit cost	$ 3,819	$ 2,316
Weighted average assumption used to determine		
Net periodic cost:		
Discount rate (including settlement)	5.4%	2.8%
Expected long term rate of return on plan assets	6.0	5.6
Rate of compensation increase	N/A	N/A

Each fiscal year, we consider several factors when determining the appropriate expected return on assets assumption. While the portfolio composition and economic forecast are reviewed, we additionally will consider the appropriate benchmarks, historical trends, and comparisons to peer companies.

(b) Funded Status

The funded status at the end of the year and the related amounts recognized in the consolidated statements of financial position are as follows:

	Pension benefits	
	2023	2022
Funded status, end of year:		
Fair value of plan assets	$ 81,894	$ 81,414
Benefit obligations	(94,534)	(96,367)
Funded status	$ (12,640)	$ (14,953)
Amounts recognized in the consolidated statements of financial position consist of:		
Noncurrent liability	$ 12,640	$ 14,953
	$ 12,640	$ 14,953
Amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial loss (gain)	$ 17,246	$ 23,376
	$ 17,246	$ 23,376

The Company expects to contribute $5,056 to its pension plan in 2024.

The benefits expected to be paid from the pension plan in each year from 2024 to 2033 are as follows:

		Benefits Payemnets
Year(s) ending December 31:		
2024	$	8,947
2025		8,979
2026		8,596
2027		8,630
2028		11,021
Thereafter		32,890

Pension plan assets fair value measurements at December 31, 2023

		Total		Level 1		Level 2		Level 3
Equities and pooled equity funds	$	24,495	$	1,245	$	23,250	$	—
Bonds and pooled bonds funds		57,384		—		57,384		—
Cash and cash equivalent funds		15		—		15		—
Total	$	81,894	$	1,245	$	80,649	$	—

Pension plan assets fair value measurements at December 31, 2022

		Total		Level 1		Level 2		Level 3
Equities and pooled equity funds	$	24,394	$	1,252	$	23,142	$	—
Bonds and pooled bonds funds		56,995		—		56,995		—
Cash and cash equivalent funds		25		—		25		—
Total	$	81,414	$	1,252	$	80,162	$	—

(13) Employee Saving Plan

Substantially all of U.S. employees are eligible to participate in the Ascend Performance Materials Savings and Investment Plans (SIP), a 401(k) plan with matching contributions being invested in the same manner as participants' personal SIP contributions, the Company matched employee contributions at 100% of the first 6%, and 50% of next 2% of a participant's qualified contributions for the year ended December 31, 2023, and 2022, respectively. Effective January 1, 2024, the Company will match employee contributions at 100% of the first 7% of a participant's qualified annual contributions.

(14) Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business which could adversely impact the Company. The Company has counterclaims on some of these disputes as well as other claims which could benefit the Company.

We regularly assess the adequacy of legal accruals based on our professional judgment, experience, and the information available regarding our cases. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

The Company's facilities could be subject to potential environmental liabilities primarily relating to contamination caused by former operations at those facilities. Some environmental laws could impose on the Company the entire costs of cleanup regardless of fault or legality of the original disposal. In some cases, the government entity with jurisdiction could seek an assessment of damage to the natural resources caused by contamination from those sites. The Company had no material operating expenditures or accruals for environmental fines, penalties, government-imposed remedial, or corrective actions during the year ended December 31, 2023, or 2022.

(15) Revenue Recognition

The Company earns and recognizes revenue from the manufacture, sale, and delivery of world-class plastics, fibers, and chemicals. Our customer base is mostly made up of entities that operate in the automotive, electrical, consumer, and industrial sectors and are located domestically as well as internationally in the Europe and Asia regions. Approximately 70% of our contract terms are based on a pricing formula that is typically tied to a market index of raw materials. The remaining is based on agreed-upon spot prices.

The nature of the Company's business gives rise to variable considerations, including early payment discounts, rebates and sales promotions, allowances, and bonuses, that generally decrease the transaction price, which reduces revenue. These variable amounts are credited to the customer based on achieving certain levels of sales activity, product returns, or price concessions. Variable consideration also includes surcharges to some of our customers for purchase short falls. These charges increase the transaction price, which increase revenue. The Company has determined that the annual impact of variable considerations is not significant to the statement of operations and financial position.

Our formula-based contracts are highly susceptible to factors outside the Company's influence, including pricing volatility in the raw material market. In addition, we do not have the history of predicting accurately the future pricing of the raw materials that go into the determination of the contract transaction price. As such, it is probable that a reversal of revenue will occur when the uncertainty is subsequently resolved. As such, variable consideration due to the fluctuations in market indices is constrained until such uncertainty is resolved, which is typically monthly.

For the year ended December 31, 2023, and 2022, the Company did not have any significant financing components as payments are received at or shortly after the point of sale. The Company also did not incur any costs to obtain a contract or to fulfill our performance obligations to our customers.

As of December 31, 2023, and 2022, the Company did not capitalize any contract assets as all revenue is billed and presented as trade receivables. Contract liabilities include billings in excess of revenue recognized, and are included in other current liabilities in our consolidated balance sheets.

(16) Derivatives

The Company used variable-rate LIBOR debt to finance its operations through September and October of 2022, when it amended its debt facilities to SOFR facilities (see Footnote 9 Debt). The debt obligations expose the Company to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, in December 2019 the Company entered a LIBOR-based interest rate swap agreement from December 31, 2019, through December 31, 2024, to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR. The swap changes the variable-rate cash flow exposure of debt obligations to fixed cash flows. Under the terms of the interest rate swap, the Company received LIBOR-based variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed rate debt for the notional amount of its hedged debt. The Company converted this to a SOFR-based interest rate swap in 2022, and recognized gains on those sales which were included in interest expense, as noted below. As of December 31, 2023, and 2022, the notional amount of debt subject to the interest rate swap agreement was $750,000.

The Company designated the interest rate swap as cash flow hedge at the inception of the contract (December 2019) and changes in the fair value for effective relationships are reported in accumulated other comprehensive income while ineffective relationships are reported within earnings, as part of interest expense. During 2023, the interest rate swap continues to not be accounted for as a hedge. During 2022, the Company de-designated the interest rate swap from being cash flow hedge and reclassified $2,483 from accumulated other comprehensive income to earnings, as part of interest expense.

Realized and unrealized (gains) and losses recorded in earnings from the change in the fair value of swap were as follows:

	Tweleve Months Ended December 31, 2023	Tweleve Months Ended December 31, 2022
Realized (gains) losses	$ (9,632)	$ (30,333)
Unrealized (gains) losses	1,050	(20,283)

The Company records its interest rate swaps on its balance sheet at fair value, with such values reflecting Level 2 measurements. Information regarding the fair value of the interest rate swap on a gross basis is as follows:

	December 31, 2023			December 31, 2022		
Balance sheet caption	Asset	Liability	U.S. Dollar notional	Asset	Liability	U.S. Dollar notional
			(In thousands)			
Other current assets	$ 7,082	—	750,000	$ 7,841	—	750,000
Other non-current assets	—	—		—	—	
Total asset	$ 7,082	—		$ 7,841	—	
Accrued liabilities	$ —	—	750,000	$ —	—	750,000
Other long-term liabilities	—	1,760		—	1,469	
Total liability	$ —	1,760		$ —	1,469	

(17) Subsequent Events

The Company has evaluated significant events and transactions that have occurred from the condensed consolidated statements of financial position date through March 29, 2024, and has determined that there were no other events or transactions other than those disclosed in this report that would require recognition or disclosure in the Company’s condensed consolidated financial statements as of and for the period ended December 31, 2023.

ASCEND PERFORMANCE MATERIALS

Q1 - 2024 FINANCIALS

To Ascend's knowledge, this financial information at the time of issuance reflects the financial condition of Ascend in all material respects for the periods indicated, but such information is not audited and therefore subject to future adjustments. Accordingly, Ascend makes no representation or warranty regarding such information. Any information shared in this document is subject to the terms of the non-disclosure agreement.

ASCEND PERFORMANCE MATERIALS AGGREGATE
Quarterly Balance Sheet
31-Mar-24
(in USD thousands)

	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024
Assets					
Current assets:					
Cash	42,843	45,891	43,096	58,784	54,074
Trade receivables, net of allowances	339,078	274,233	283,033	300,604	309,900
Other receivables	80,840	79,315	70,419	67,091	64,773
Inventory, net of allowances	467,536	446,574	393,635	468,061	493,198
Other current assets and prepaid expenses	56,413	58,443	56,959	53,315	47,927
Total current assets	$ 986,710	$ 904,456	$ 847,142	$ 947,855	$ 969,872
Property, plant and equip, net of accumulated depreciation	836,048	848,735	855,693	850,304	836,831
Other noncurrent assets	475,295	457,144	432,950	408,108	405,002
Total assets	$ 2,298,053	$ 2,210,335	$ 2,135,785	$ 2,206,267	$ 2,211,705
Liabilities & Owners' Equity					
Current liabilities:					
Long term debt, current maturities	29,922	26,633	29,745	54,273	46,803
Other long term debt, current maturities - Finance Lease	22,215	18,183	18,183	18,183	18,183
Trade accounts payable	409,699	356,142	318,713	367,489	361,304
Accrued liabilities	168,037	163,707	160,538	149,281	137,020
Deferred customer revenue	1,177	1,177	1,177	1,177	1,177
Other liabilities	4	4	4	1	4
Total current liabilities	$ 631,054	$ 565,846	$ 528,360	$ 590,404	$ 564,491
Accrued pension benefits	16,567	16,877	17,094	14,140	14,258
Deferred customer revenue	1,921	1,921	1,921	1,820	1,820
Deferred tax liability	82,849	71,861	58,481	32,682	13,700
Term loan B	1,031,525	1,030,221	1,028,914	1,027,602	1,026,128
Credit facility	255,040	260,061	268,066	142,068	246,000
Financing Lease Liability, LT	128,490	124,511	119,704	114,761	109,996
Other long-term liabilities	146,255	142,935	151,980	325,610	332,923
Total liabilities	$ 2,293,701	$ 2,214,233	$ 2,174,520	$ 2,249,087	$ 2,309,316
Owners' equity:					
Common stock	98	98	98	98	98
Paid-in capital	42,323	42,323	42,323	42,324	42,323
Retained earnings	1,762,298	1,753,575	1,718,257	1,711,129	1,656,875
Dividends declared	(1,755,974)	(1,755,974)	(1,755,974)	(1,755,974)	(1,755,974)
Restricted stock	2,856	2,856	2,856	2,856	2,856
Accumulated other comprehensive loss	(19,236)	(18,685)	(18,133)	(14,944)	(14,602)
Treasury stock	(30,372)	(30,372)	(30,372)	(30,372)	(30,372)
Total shareholder's equity attributable to owner	$ 1,993	$ (6,179)	$ (40,945)	$ (44,883)	$ (98,796)
Non-Controlling Interest	2,359	2,281	2,210	2,063	1,185
Total Owners' Equity	$ 2,298,053	$ 2,210,335	$ 2,135,785	$ 2,206,267	$ 2,211,705

ASCEND PERFORMANCE MATERIALS AGGREGATE
Quarterly Income Statement
31-Mar-24
(in USD thousands)

	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	FY 2023	YTD 2024	Rolling 4QTR
Sales	645,132	611,945	564,670	570,025	563,428	2,391,772	563,428	2,310,068
Cost of goods sold	576,292	527,304	492,759	454,230	509,666	2,050,585	509,666	1,983,959
Gross profit	68,840	84,641	71,911	115,795	53,762	341,187	53,762	326,109
Depreciation & amortization	37,517	37,343	41,130	40,840	41,951	156,830	41,951	161,264
Selling, general and administrative expenses	38,659	37,557	31,304	35,289	33,196	142,809	33,196	137,346
Other operating expense	12,444	12,385	12,276	11,068	7,826	48,174	7,826	43,555
Operating income	(19,780)	(2,644)	(12,799)	28,598	(29,211)	(6,626)	(29,211)	(16,056)
Interest expense	32,518	36,235	35,789	24,538	46,756	129,080	46,756	143,318
Interest Rate Swap	3,183	(14,594)	(3,835)	23,392	(8,051)	8,146	(8,051)	(3,088)
Restructuring Expense	2,038	-	2,065	6,548	2,405	10,651	2,405	11,018
Other Income	(2,114)	(5,450)	804	1,235	1,412	(5,525)	1,412	(1,999)
Income from operations before income tax expense	(55,405)	(18,835)	(47,622)	(27,115)	(71,733)	(148,978)	(71,733)	(165,306)
Income tax expense (benefit)	(16,662)	(10,036)	(12,232)	(19,839)	(17,401)	(58,769)	(17,401)	(59,508)
Net income	$ (38,743)	$ (8,799)	$ (35,390)	$ (7,276)	$ (54,332)	$ (90,209)	$ (54,332)	$ (105,798)
Less: Net Income attributable to non-controlling interest	43	77	72	147	78	339	78	374
Net Income	$ (38,700)	$ (8,722)	$ (35,318)	$ (7,129)	$ (54,254)	$ (89,870)	$ (54,254)	$ (105,424)
EBITDA								
Interest expense	32,518	36,235	35,789	24,538	46,756	129,080	46,756	143,318
*Interest Rate Swap	3,183	(14,594)	(3,835)	23,392	(8,051)	8,146	(8,051)	(3,088)
Income tax expense (benefit)	(16,662)	(10,036)	(12,232)	(19,839)	(17,401)	(58,769)	(17,401)	(59,508)
Depreciation & amortization	37,517	37,343	41,130	40,840	41,951	156,830	41,951	161,264
EBITDA	$ 17,813	$ 40,149	$ 25,462	$ 61,655	$ 8,923	$ 145,078	$ 8,923	$ 136,189
Adjustments to aggregated EBITDA								
Opening and closing of new facilities	479	497	1,776	1,269	291	4,021	291	3,833
LIFO	-	-	-	(30,925)	-	(30,925)	-	(30,925)
Restructuring Cost	2,038	-	2,065	6,548	2,405	10,651	2,405	11,018
Non-recurring strategic initiatives	-	120	235	-	-	354	-	354
Management fees	750	750	750	750	750	3,000	750	3,000
Mergers & Acquisition cost	245	775	28	(15)	-	1,033	-	788
Start Up Costs	-	-	-	-	839	-	839	839
Debt refinance expenses	-	-	-	-	816	-	816	816
Run Rate cost savings a (vii):								
Tilburg Site Closure	-	-	-	-	*7,000*	-	*7,000*	7,000
Greenwood product line exits	-	-	-	-	*9,000*	-	*9,000*	9,000
SG&A headcount reductions	-	-	-	-	*9,305*	-	*9,305*	9,305
Chocolate Bayou Logistics outsourcing	-	-	-	-	*5,000*	-	*5,000*	5,000
Operations headcount reductions	-	-	-	-	*5,426*	-	*5,426*	5,426
Cap of 25% Consolidated Test Period EBITDA	-	-	-	-	35,731	-	35,731	35,731
Adjusted aggregated EBITDA	$ 21,325	$ 42,291	$ 30,315	$ 39,282	$ 49,755	$ 133,213	$ 49,755	$ 161,643

ASCEND PERFORMANCE MATERIALS AGGREGATE
Statement of Cash Flows
31-Mar-24
(in USD thousands)

	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024
Cash Flows From Operating Activities:					
Net income (Loss)	(38,743)	(47,542)	(82,932)	(90,209)	(54,332)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	37,517	74,860	115,990	156,830	41,951
Amortization of deferred financing costs	1,564	3,221	4,752	6,341	1,424
(Gain) Loss on sales and retirement of assets	3,612	3,612	3,774	-	(68)
Deferred income tax expense (benefit)	(17,997)	(28,985)	(42,365)	(68,164)	(18,982)
Interest Rate Swap	4,743	(7,689)	(10,192)	1,049	(5,070)
(Gain)/Loss on Metals derivative obligation	(1,599)	(4,453)	(4,453)	(5,461)	(5,604)
Other non-cash items	-	-	-	2,933	1,446
Decrease (increase) in:					
Trade and other receivables	(33,629)	37,291	37,959	19,040	(5,126)
Inventories of products, materials and supplies	1,830	22,792	75,731	1,305	(25,137)
Other assets, net of catalyst and deferred major maintenance	(2,621)	(41,546)	(4,450)	(3,859)	(1,886)
Other assets - catalyst and deferred major maintenance	(6,527)	19,540	(30,898)	(37,285)	(9,779)
Change in right of use assets and operating lease liabilities	(8,954)	(645)	(4)	1,404	631
Commissions receivable from related party	36,772	13,618	(2,917)	(7,050)	35,823
Interest receivable related party	(1,400)	(2,670)	(3,955)	(5,302)	(1,513)
Increase (decrease) in:					
Accounts payable-trade, other payables and accruals	53,966	(14,503)	(33,196)	(859)	(18,963)
Commissions payable	(36,772)	(13,618)	2,916	7,050	(35,823)
Pension liability	784	1,645	2,414	2,649	461
Long-term liabilities	(909)	(719)	(4,406)	(959)	2,420
Deferred revenues (Contract liabilities)	-	-	-	(102)	-
Net cash flows provided by (used in) operating activities	$ (8,364)	$ 14,208	$ 23,767	$ (20,649)	$ (98,127)
Cash Flows From Investing Activities:					
Loan to APM	(59,968)	(59,968)	(59,968)	(81,044)	(34,249)
Purchase of property, plant and equipment	(33,171)	(59,245)	(92,346)	(97,748)	(13,357)
Purchase of software	(514)	(931)	(1,367)	(1,732)	(154)
Proceeds from insurance claim	-	-	-	-	-
Project Eagle Funds received from USG					8,767
Net cash flows provided by (used in) investing activities	$ (93,653)	$ (120,144)	$ (153,681)	$ (180,524)	$ (38,993)
Cash Flows From Financing Activities:					
Other financing, net	26,358	32,570	54,401	254,858	3,531
Proceeds from (payments on) credit facility, net	40,040	45,060	53,065	(72,932)	103,930
Proceeds from (payments on) term loan, net	(5,435)	(8,151)	(10,866)	(13,578)	(2,719)
Proceeds from (payments on) borrowings-related party, net	59,971	59,971	59,972	81,044	34,253
CP acquisition - 5%					(800)
Payments of Finance Lease Liability	(10,620)	(12,168)	(18,108)	(23,981)	(5,786)
Net cash flows provided by (used in) financing activities	$ 110,314	$ 117,282	$ 138,464	$ 225,411	$ 132,409
Effect of exchange rate changes on cash	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	8,297	11,346	8,550	24,238	(4,710)
Cash and cash equivalents, beginning of year	34,546	34,546	34,546	34,546	58,784
Cash and cash equivalents, end of period	$ 42,843	$ 45,892	$ 43,096	$ 58,784	$ 54,074

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.
Quarterly Balance Sheet
31-Mar-24
(in USD thousands)

	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024
Assets					
Current assets:					
Cash	42,843	45,891	43,096	58,784	54,074
Trade receivables, net of allowances	339,078	274,233	283,033	300,604	309,900
Other receivables	80,840	79,315	70,419	67,091	64,773
Inventory, net of allowances	467,536	446,574	393,635	468,061	493,198
Other current assets and prepaid expenses	56,413	58,443	56,959	53,315	47,927
Total current assets	$ 986,710	$ 904,456	$ 847,142	$ 947,855	$ 969,872
Property, plant and equip, net of accumulated depreciation	836,048	848,735	855,693	850,304	836,831
Other noncurrent assets	475,295	457,144	432,950	408,108	405,002
Total assets	$ 2,298,053	$ 2,210,335	$ 2,135,785	$ 2,206,267	$ 2,211,705
Liabilities & Owners' Equity					
Current liabilities:					
Long term debt, current maturities	29,922	26,633	29,745	54,273	46,803
Other long term debt, current maturities - Finance Lease	22,215	18,183	18,183	18,183	18,183
Debt-related party	196,093	196,093	196,093	217,165	251,418
Trade accounts payable	409,702	356,144	318,712	367,484	387,055
Commission payable-related party	56,089	79,243	95,777	99,911	64,088
Accrued liabilities	169,641	166,581	164,697	154,787	144,039
Deferred customer revenue	1,177	1,177	1,177	1,177	1,177
Total current liabilities	$ 884,839	$ 844,054	$ 824,384	$ 912,978	$ 912,763
Accrued pension benefits	16,567	16,877	17,094	14,140	14,258
Deferred customer revenue	1,921	1,921	1,921	1,820	1,820
Deferred tax liability	82,849	71,861	58,481	32,682	13,700
Term loan B	1,031,525	1,030,221	1,028,914	1,027,602	1,026,128
Credit facility	255,040	260,061	268,066	142,068	246,000
Financing Lease Liability, LT	128,490	124,511	119,704	114,761	109,996
Other long-term liabilities	146,255	142,935	151,980	325,610	332,923
Total liabilities	$ 2,547,486	$ 2,492,441	$ 2,470,544	$ 2,571,661	$ 2,657,588
Owners' equity:					
Common stock	98	98	98	98	98
Paid-in capital	42,323	42,323	42,323	42,323	42,323
Retained earnings	926,924	893,778	840,644	806,967	727,014
Dividends declared	(1,174,385)	(1,174,385)	(1,174,385)	(1,174,385)	(1,174,385)
Restricted stock	2,856	2,856	2,856	2,856	2,856
Accumulated other comprehensive loss	(19,236)	(18,685)	(18,133)	(14,944)	(14,602)
Treasury stock	(30,372)	(30,372)	(30,372)	(30,372)	(30,372)
Total shareholder's equity attributable to owner	$ (251,792)	$ (284,387)	$ (336,969)	$ (367,457)	$ (447,068)
Non-Controlling Interest	2,359	2,281	2,210	2,063	1,185
Total liabilities & owners' equity	$ 2,298,053	$ 2,210,335	$ 2,135,785	$ 2,206,267	$ 2,211,705

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.
Quarterly Income Statement
31-Mar-24
(in USD thousands)

	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	FY 2023	YTD 2024	Rolling 4QTR
Sales	645,132	611,945	564,670	570,025	563,428	2,391,772	563,428	2,310,068
Cost of goods sold	576,292	527,304	492,759	454,230	509,666	2,050,585	509,666	1,983,959
Gross profit	68,840	84,641	71,911	115,795	53,762	341,187	53,762	326,109
Depreciation & amortization	37,517	37,343	41,130	40,840	41,951	156,830	41,951	161,264
Selling, general and administrative expenses	38,659	37,557	31,304	35,289	33,196	142,809	33,196	137,346
Other operating expense	12,442	12,383	12,274	11,066	7,823	48,165	7,823	43,546
Operating income	(19,778)	(2,642)	(12,797)	28,600	(29,208)	(6,617)	(29,208)	(16,047)
Interest expense	33,918	37,506	37,074	25,882	48,281	134,380	48,281	148,743
Interest Rate Swap	3,183	(14,594)	(3,835)	23,392	(8,051)	8,146	(8,051)	(3,088)
Commission expense - related party	23,228	23,155	16,533	25,206	24,177	88,122	24,177	89,071
Restructuring Expense	2,038	-	2,065	6,548	2,405	10,651	2,405	11,018
Other Income	(2,114)	(5,450)	804	1,235	1,412	(5,525)	1,412	(1,999)
Income from operations before income tax expense	(80,031)	(43,259)	(65,438)	(53,663)	(97,432)	(242,391)	(97,432)	(259,792)
Income tax expense (benefit)	(16,662)	(10,036)	(12,232)	(19,839)	(17,401)	(58,769)	(17,401)	(59,508)
Net income	$ (63,369)	$ (33,223)	$ (53,206)	$ (33,824)	$ (80,031)	$ (183,622)	$ (80,031)	$ (200,284)
Less: Net Income attributable to non-controlling interest	43	77	72	147	78	339	78	374
Net Income	$ (63,326)	$ (33,146)	$ (53,134)	$ (33,677)	$ (79,953)	$ (183,283)	$ (79,953)	$ (199,910)
EBITDA								
Interest expense	33,918	37,506	37,074	25,882	48,281	134,380	48,281	148,743
Interest Rate Swap	3,183	(14,594)	(3,835)	23,392	(8,051)	8,146	(8,051)	(3,088)
Income tax expense (benefit)	(16,662)	(10,036)	(12,232)	(19,839)	(17,401)	(58,769)	(17,401)	(59,508)
Depreciation & amortization	37,517	37,343	41,130	40,840	41,951	156,830	41,951	161,264
EBITDA	$ (5,413)	$ 16,996	$ 8,931	$ 36,451	$ (15,251)	$ 56,965	$ (15,251)	$ 47,127
Adjustments to aggregated EBITDA								
Opening and closing of new facilities	479	497	1,776	1,269	291	4,021	291	3,833
LIFO	-	-	-	(30,925)	-	(30,925)	-	(30,925)
Restructuring Cost	2,038	-	2,065	6,548	2,405	10,651	2,405	11,018
Non-recurring strategic initiatives	-	120	235	-	-	354	-	354
Management fees	750	750	750	750	750	3,000	750	3,000
Mergers & Acquisition cost	245	775	28	(15)	-	1,033	-	788
Start Up Costs	-	-	-	-	839	-	839	839
Debt refinance expenses	-	-	-	-	816	-	816	816
Adjusted aggregated EBITDA	$ (1,901)	$ 19,138	$ 13,785	$ 14,078	$ (10,150)	$ 45,099	$ (10,150)	$ 36,851

ASCEND PERFORMANCE MATERIALS HOLDINGS INC.
Statement of Cash Flows
31-Mar-24
(in USD thousands)

	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024
Cash Flows From Operating Activities:					
Net income (Loss)	(63,369)	(96,592)	(149,798)	(183,622)	(80,031)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	37,517	74,860	115,990	156,830	41,951
Amortization of deferred financing costs	1,564	3,221	4,752	6,341	1,424
Gain on Bargain purchase	-	-	-	-	-
(Gain) Loss on sales and retirement of assets	3,612	3,612	3,774	-	(68)
Deferred income tax expense (benefit)	(17,997)	(28,985)	(42,365)	(68,164)	(18,982)
Interest Rate Swap	4,743	(7,689)	(10,192)	1,049	(5,070)
(Gain)/Loss on Metals derivative obligation	(1,599)	(4,453)	(4,453)	(5,461)	(5,604)
Other non-cash items	-	-	-	2,933	1,446
Decrease (increase) in:					
Trade and other receivables	(33,629)	37,291	37,959	19,040	(5,126)
Inventories of products, materials and supplies	1,830	22,792	75,731	1,305	(25,137)
Other assets, net of catalyst and deferred major maintenance	(2,621)	(41,546)	(4,450)	(3,859)	(1,886)
Other assets- catalyst and deferred major maintenance	(6,527)	19,540	(30,898)	(37,285)	(9,779)
Change in right of use assets and operating lease liabilities	(8,954)	(645)	(4)	1,404	631
Increase (decrease) in:					
Accounts payable-trade, other payables and accruals	53,991	(14,479)	(33,175)	(842)	6,794
Commissions payable	(36,772)	(13,618)	2,916	7,050	(35,823)
Pension liability	784	1,645	2,414	2,649	461
Long-term liabilities	(909)	(719)	(4,406)	(959)	2,420
Deferred revenues (Contract liabilities)	-	-	-	(102)	-
Net cash flows provided by (used in) operating activities	$ (68,336)	$ (45,765)	$ (36,205)	$ (101,693)	$ (132,379)
Cash Flows From Investing Activities:					
Purchase of property, plant and equipment	(33,171)	(59,245)	(92,346)	(97,748)	(13,357)
Purchase of software	(514)	(931)	(1,367)	(1,732)	(154)
Proceeds from insurance claim- CHB deep freeze	-	-	-	-	-
Project Eagle Funds received from USG	-	-	-	-	8,767
Net cash flows provided by (used in) investing activities	$ (33,685)	$ (60,176)	$ (93,713)	$ (99,480)	$ (4,744)
Cash Flows From Financing Activities:					
Other financing, net	26,358	32,570	54,401	254,858	3,531
Proceeds from (payments on) credit facility, net	40,040	45,060	53,065	(72,932)	103,930
Proceeds from (payments on) term loan, net	(5,431)	(8,147)	(10,862)	(13,578)	(2,715)
Proceeds from (payments on) borrowings-related party, net	59,971	59,971	59,972	81,044	34,253
CP acquisition - 5%	-	-	-	-	(800)
Payments of Finance Lease Liability	(10,620)	(12,168)	(18,108)	(23,981)	(5,786)
Net cash flows provided by (used in) financing activities	$ 110,318	$ 117,286	$ 138,468	$ 225,411	$ 132,413
Net increase (decrease) in cash and cash equivalents	8,297	11,345	8,550	24,238	(4,709)
Cash and cash equivalents, beginning of year	34,546	34,546	34,546	34,546	58,784
Cash and cash equivalents, end of period	$ 42,843	$ 45,891	$ 43,096	$ 58,784	$ 54,075

ASCEND PERFORMANCE MATERIALS DISC INC.
Quarterly Balance Sheet
31-Mar-24
(in USD thousands)

	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024
Assets					
Current assets:					
Commissions receivable - related party	56,089	79,243	95,778	99,911	64,088
Interest receivable- related party	1,604	2,874	4,159	5,506	7,019
Loan receivable from APM	196,089	196,089	196,089	217,165	251,414
Total current assets	$ 253,782	$ 278,206	$ 296,026	$ 322,582	$ 322,521
Total assets	$ 253,782	$ 278,206	$ 296,026	$ 322,582	$ 322,521
Liabilities & Owners' Equity					
Current liabilities:					
Trade accounts payable	(3)	(2)	1	5	(25,752)
Total current liabilities	$ (3)	$ (2)	$ 1	$ 5	$ (25,752)
Non-recurring strategic initiatives	-	-	1	-	-
Total liabilities	$ (3)	$ (2)	$ 2	$ 5	$ (25,752)
Owners' equity:					
Common stock	-	-	-	3	-
Paid-in capital	-	-	-	1	-
Retained earnings	835,374	859,797	877,613	904,162	929,862
Dividends declared	(581,589)	(581,589)	(581,589)	(581,589)	(581,589)
Total owners' equity	$ 253,785	$ 278,208	$ 296,024	$ 322,577	$ 348,273
Total liabilities & owners' equity	253,782	278,206	296,026	322,582	322,521

ASCEND PERFORMANCE MATERIALS DISC INC.
Quarterly Income Statement
31-Mar-24
(in USD thousands)

	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	FY 2023	YTD 2024	Rolling 4QTR
Other operating expense	2	2	2	2	3	9	3	9
Other operating income	23,228	23,154	16,534	25,205	24,177	88,122	24,177	89,071
Operating income	23,226	23,152	16,532	25,203	24,174	88,113	24,174	89,062
Interest income	1,400	1,271	1,285	1,344	1,525	5,300	1,525	5,425
Income from operations before income tax expense	24,626	24,423	17,817	26,547	25,699	93,413	25,699	94,486
Net income	$ 24,626	$ 24,423	$ 17,817	$ 26,547	$ 25,699	$ 93,413	$ 25,699	94,486
EBITDA								
EBITDA	$ 24,626	$ 24,423	$ 17,817	$ 26,547	$ 25,699	$ 93,413	$ 25,699	$ 94,486
Adjustments to aggregated EBITDA								
Adjusted aggregated EBITDA	$ 24,626	$ 24,423	$ 17,817	$ 26,547	$ 25,699	$ 93,413	$ 25,699	$ 94,486

ASCEND PERFORMANCE MATERIALS DISC INC.
Statement of Cash Flows
31-Mar-24
(in USD thousands)

	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024
Cash Flows From Operating Activities:					
Net income (Loss)	24,626	49,049	66,867	93,413	25,699
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Decrease (increase) in:					
Commissions receivable from related party	36,772	13,618	(2,917)	(7,050)	35,823
Interest receivable related party	(1,400)	(2,670)	(3,955)	(5,302)	(1,513)
Accounts payable-trade, other payables and accruals	(25)	(24)	(21)	(17)	(25,757)
Net cash flows provided by (used in) operating activities	$ 59,972	$ 59,973	$ 59,973	$ 81,044	$ 34,252
Cash Flows From Investing Activities:					
Loan to APM (net of repayment)	(59,968)	(59,968)	(59,968)	(81,044)	(34,249)
Net cash flows provided by (used in) investing activities	$ (59,968)	$ (59,968)	$ (59,968)	$ (81,044)	$ (34,249)
Cash Flows From Financing Activities:					
Proceeds from (payments on) borrowings, net	(4)	(4)	(4)	(0)	(4)
Net cash flows provided by (used in) financing activities	$ (4)	$ (4)	$ (4)	$ (0)	$ (4)
Net increase (decrease) in cash and cash equivalents	0	1	1	0	(1)
Cash and cash equivalents, beginning of year	-	-			
Cash and cash equivalents, end of period	$ 0	$ 1	$ 1	$ 0	$ (1)