



PEARL ENGINEERED SOLUTIONS

US\$175,000,000 9.5% Senior Secured Notes Due 2022 Non-Payment of June 2021 Coupon in anticipation of Proposed Restructuring

Pearl Holding III Limited (“**Pearl**” or the “**Company**”) previously announced on 27 May 2021 (the “**27 May Announcement**”) the proposed restructuring of the US\$175,000,000 9.5% Senior Secured Notes Due 2022 (the “**Notes**”) (the “**Restructuring**”) and the Company’s entry into the restructuring support agreement (the “**RSA**”) with the ad hoc committee on 26 May 2021.

Non-payment of June 2021 Coupon

Under the terms of the indenture for the Notes dated 11 December 2017 (the “**Indenture**”), interest is due to be paid to Noteholders on 11 June 2021 (the “**June 2021 Coupon**”). However, in light of the proposed Restructuring (as described in the 27 May Announcement), the June 2021 Coupon will not be paid on the due date nor within the applicable grace period.

The Restructuring

As explained in the 27 May Announcement, the Company is preparing to implement a Restructuring in respect of the Notes via a Scheme of Arrangement (the “**Scheme**”), which is aimed at strengthening the Company’s financial stability and enhancing its ability to continue to serve its customer and creditors.

If the Restructuring is successfully implemented:

- a) the Notes will be cancelled, and all liabilities of, and all claims against, the Issuer and its subsidiary guarantors in connection with the Notes (including in respect of the June 2021 Coupon and its non-payment) will be fully released and discharged; and
- b) in exchange, the Noteholders will receive consideration comprising, among other things: (i) cash payment in the aggregate amount of US\$23,250,000; (ii) newly issued 9.00% senior secured notes due 2025 in the aggregate principal amount of US\$66,500,000 (the “**New Notes**”), to be issued by the Company; and (iii) newly issued perpetual notes in the aggregate principal amount of US\$83,500,000, to be issued by Pearl II.

Importantly, under the proposed terms of New Notes, interest on the New Notes will start to accrue on and from 1 July 2021, even though the New Notes may be issued at a later date upon consummation of the Restructuring. In other words, the Noteholders will be only be foregoing interest for a period of



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approximately six and a half months, between 12 December 2020 and 30 June 2021, and not for any longer period.

The RSA

Since the previous announcement, the Company and its financial advisors have been in active dialogue with a number of other Noteholders who hold a meaningful amount of the Notes and who have all indicated their general support for the Restructuring. It is therefore the Company's expectation that Noteholders with over 75% of the outstanding principal amounts of the Notes will have signed up to the RSA by the consent fee cut-off date of 16 June 2021.

By signing the RSA, members of the Ad Hoc Committee and other Noteholders who subsequently accede to that agreement (together, the **"Consenting Noteholders"**) are committed to voting in favour of the Scheme and otherwise supporting the implementation of the Restructuring. In addition, under the RSA, the Consenting Noteholders each provides a conditional waiver in respect of the non-payment of the June 2021 Coupon (the **"Conditional Waiver"**). The Conditional Waiver is effective from the date of the RSA, but conditional upon the successful implementation of the Restructuring.

The Company continues to encourage Noteholders, who have yet to accede to RSA, to do so as soon as practicable and, in any event, before the cut-off time of **5:00 p.m. (Singapore time) on 16 June 2021**, in order to become eligible to receive their pro rata share of the Consent Fee. Noteholders who are interested in acceding to the RSA should contact the Information Agent, whose contact details are set out below:

Information Agent

Morrow Sodali Limited

Email: pearl@investor.morrowsodali.com

Website: <https://bonds.morrowsodali.com/pearl>

Notice to the trustee

The Company has given notice to the trustee of the Notes in respect of its non-payment of the June 2011 Coupon. Noteholders may shortly receive notice of a similar effect from the trustee.

In light of the proposed Restructuring (which is widely supported by the Noteholders) and the Conditional Waiver provided by the Consenting Noteholders, the Company believes that the non-payment of the June 2021 Coupon will be resolved as part of the Restructuring. Further, the Company does not expect such non-payment to cause any disruption to its ordinary business or operations.