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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**  
Pursuant to Section 13 or 15(d)  
of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 14, 2020

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**PQ Group Holdings Inc.**

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Commission File Number: 001-38221

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**300 Lindenwood Drive**  
**Malvern, Pennsylvania**  
(Address of principal executive offices)

**81-3406833**  
(I.R.S. Employer  
Identification No.)

**19355**  
(Zip Code)

**(610) 651-4400**  
(Registrant's telephone number, including area code)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, par value \$0.01 per share	PQG	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.01 Completion of Acquisition or Disposition of Assets.**

On December 14, 2020, PQ Corporation, an indirect, wholly owned subsidiary of PQ Group Holdings Inc. (the “Company”), completed the previously announced sale of its Performance Materials business to Potters Buyer, LLC (the “Purchaser”), an affiliate of The Jordan Company, L.P., pursuant to a Stock Purchase Agreement (the “Purchase Agreement”), dated October 15, 2020, between PQ Corporation and the Purchaser, for a purchase price of \$650 million in cash, subject to certain adjustments specified in the Purchase Agreement, including for indebtedness, cash, working capital and transaction expenses of the Performance Materials business at the closing of the transaction (such transaction, the “Transaction”).

The foregoing description of the Transaction does not purport to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, a copy of which was filed as Exhibit 2.1 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 16, 2020, and the full text of which is incorporated herein by reference.

**Item 2.04 Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.**

The closing of the Transaction discussed in Item 2.01 above triggered PQ Corporation’s obligation to provide partial repayment under both the (i) Amended and Restated Term Loan Credit Agreement, dated as of May 4, 2016, by and among PQ Corporation, CPQ Midco I Corporation, the lenders from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, as amended, restated, amended and restated, supplemented or otherwise modified from time to time, and (ii) New Term Loan Credit Agreement, dated as of July 22, 2020, by and among PQ Corporation, Eco Services Operations Corp., CPQ Midco I Corporation, the lenders from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, as amended, restated, amended and restated, supplemented or otherwise modified from time to time, of an estimated \$275.8 million and \$188.7 million, respectively.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

*Departure of Scott Randolph, President, Performance Materials*

At the closing of the Transaction discussed in Item 2.01 above, Scott Randolph, President, Performance Materials, ceased to be an officer of, and terminated employment with, the Company. In connection with his termination of employment, Mr. Randolph and PQ Corporation entered into a transition and general release agreement, dated December 16, 2020 (the “Separation Agreement”), under which Mr. Randolph has agreed to a general release of claims in favor of the Company in exchange for certain payments and benefits.

Under the Separation Agreement, Mr. Randolph is entitled to receive: (a) a payment of \$1,732,500, which is equal to two times his (i) base annual salary plus (ii) his target bonus, as provided under, and payable in accordance with, Section 3.01(d)(2) of the severance agreement between Mr. Randolph, the Company and PQ Corporation, dated August 31, 2017 (the “Severance Agreement”); (b) the ability to exercise any of his vested stock options for a two-year period following the closing of the Transaction, contingent on his continued employment with Potters Industries, LLC (including any successor) (“Potters”) during such time period; (c) continued eligibility to vest for all of his outstanding and unvested performance-based restricted shares for a two-year period following the closing of the Transaction and performance-based restricted stock units for a one-year period following the closing of the Transaction, in each case, subject to the achievement of the applicable performance targets and his continued employment with Potters during such time period; and (d) continued vesting of all of his outstanding and unvested time-based restricted stock units for a two-year period following the closing of the Transaction, subject to his continued employment with Potters during such time period.

Mr. Randolph’s entitlement to the foregoing payment and benefits is subject to his continuing compliance with the terms of the Separation Agreement as well as the terms and conditions of the Severance Agreement. Under the Severance Agreement, Mr. Randolph is subject to noncompetition and nonsolicitation covenants for a period of 24 months following the termination of his employment as well as ongoing covenants, including relating to non-disparagement and confidentiality.

The foregoing description of the Separation Agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, the full text of the Separation Agreement, which is attached as Exhibit 10.1 to this Current Report on Form 8-K, and is incorporated herein by reference.

*Treatment of Outstanding Equity Awards in Connection with Special Cash Dividend*

In connection with the declaration of the special cash dividend discussed in Item 8.01 below, each holder of the Company’s outstanding restricted stock units and stock options as of the record date for the dividend will receive either a dividend equivalent payment upon vesting or a reduction in strike price, subject to applicable tax law limitations.

**Item 8.01 Other Events.**

In connection with the closing of the Transaction discussed in Item 2.01 above, on December 14, 2020, the Company’s Board of Directors declared a special cash dividend of \$1.80 per share, payable to shareholders of record as of the close of business on December 21, 2020.

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**Item 9.01 Financial Statements and Exhibits.**

(b) Pro forma financial information.

The unaudited pro forma condensed consolidated financial statements of the Company giving effect to the Transaction discussed in Item 2.01 above are filed as Exhibit 99.1 hereto and incorporated herein by reference.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	<a href="#">Transition Agreement and General Release and Waiver of Claims, dated December 16, 2020, between PQ Corporation and Scott Randolph</a>
99.1	<a href="#">Unaudited Pro Forma Condensed Consolidated Financial Statements of PQ Group Holdings Inc.</a>
104	The cover page from this Current Report on Form 8-K of PQ Group Holdings Inc., formatted in Inline XBRL and included as Exhibit 101

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 18, 2020

**PQ Group Holdings Inc.**

By: /s/ MICHAEL CREWS

Name: Michael Crews

Title: Executive Vice President and Chief Financial  
Officer

**TRANSITION AGREEMENT AND GENERAL RELEASE AND WAIVER OF CLAIMS**

This Transition Agreement and General Release and Waiver of Claims (hereafter "Agreement") is entered into by and between PQ Corporation, a Pennsylvania corporation (the "Company"), and Scott Randolph (the "Executive").

In consideration of the mutual promises and covenants contained herein and the Severance Agreement dated as of August 31, 2017 (the "Severance Agreement"), as modified in Schedule A attached hereto, and other good and valuable consideration the receipt of which hereby is acknowledged, the parties agree as follows:

Section 1. Separation from Employment. (a) Executive's employment will end, and this Agreement will become effective, only upon the closing, if any, of the current transaction involving the sale of Potters Industries, LLC (the "Transaction," with the effective date being referred to as the "Separation Date"). Effective on his Separation Date, Executive's employment with the Company will cease subject to the terms and conditions hereinafter set forth. Between the date on which Executive signs this Agreement and the Separation Date, Executive will continue to report to work on a regular basis and perform his regular duties, unless the Company determines that Executive no longer has to report on a full-time or regular basis, in which case the Company will continue to pay Executive his regular salary and maintain his benefits through the Separation Date). Between the date of this Agreement and the Separation Date, Executive is entitled to take all accrued but unused vacation time and/or paid time off. During that time period, the Company will also continue to pay Executive his regular salary and maintain his regular benefits. The Company will also pay Executive for all properly reported and reimbursable expenses incurred prior to the Separation date.

(b) Current Equity Interests. Except as modified in Schedule A, to the extent that Executive currently owns vested and/or unvested Shares/Options of the Company or its parent or affiliates, Executive understands that those Shares/Options are subject to the relevant equity incentive plan and the Restrictive Agreements he previously executed. Furthermore, the eligibility for vesting of any unvested Shares/Options which Executive currently holds is subject to the terms of the relevant plan and those agreements, as amended by this Agreement.

Section 2. Release and Waiver of Claims. In consideration of the payments, benefits, and other consideration to be provided to Executive under Section 3.01(d) of the Severance Agreement, in accordance with Schedule A attached hereto and incorporated by reference herein, which payments, benefits and other consideration will be effective on and after the Separation Date, Executive, for the Executive and Executive's family, heirs, executors, administrators, legal representatives, and their respective successors and assigns (the "Related Parties"), hereby releases and forever discharges the Company, and all of its parents (including but not limited to PQ Group Holdings, Inc.), affiliates, subsidiaries, divisions and joint ventures, and their respective officers, directors, employees, agents, parents, stockholders, representatives, employee benefit plans and their successors and assigns (collectively, "Company Entity" or "Company Entities"), from all rights, claims, demands, suits, causes of action of any kind or nature whatsoever, known or unknown, in law or in equity the Executive ever had, has or may have or which the Related Parties may have, arising at any time on or before the date hereof, based on or arising out of the Executive's dealings with any Company Entity, including but not limited to any claims arising out of the Executive's employment with any Company Entity or the decision to terminate that employment on the Separation Date, including without limitation any claims under the Severance Agreement, or based on any services provided to any Company Entity by the Executive other than pursuant to an employment relationship with any Company Entity. This includes a release of any and all rights, claims or demands the Executive may have, whether known or unknown, under the Age Discrimination in Employment Act ("ADEA"), which prohibits age discrimination in employment; Title VII of the Civil Rights Act of 1964, which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Equal Pay Act, which prohibits paying men and women unequal pay for equal work; or under any other federal, state or local laws or regulations regarding employment discrimination or termination of employment. This also includes a release by the Executive of any claims for wrongful discharge or

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discrimination under any statute, rule, regulation or under the common law, including, without limitation, the Sarbanes-Oxley Act.

Section 3. Rights Not Released or Waived. This release is intended to be a general release and excludes only those claims under any statute or common law that Executive is legally barred from releasing. Executive understands that the release does not include and the parties hereto expressly reserve: (i) any claim that cannot be released or waived as a matter of law; (ii) any claim for or right to vested benefits in accordance with the Company's employee benefit plans and equity arrangements, including but not limited to any pension or retirement account benefits, but specifically excluding, among other plans, any other severance plan or policy; (iii) any right to enforce any term of this Agreement and any surviving provisions of the Severance Agreement; (iv) any claims based on acts or events occurring after Executive signs this Agreement, except for claims arising from Executive's employment or termination of employment with Company, up to and through the date Executive signs this Agreement; (v) any claims with respect to indemnification or coverage under directors' and officers' liability insurance or any challenge to the validity of the Agreement; (vi) the right to file a charge or complaint with, or provide testimony, assistance or participation in, any investigation, proceeding or hearing conducted by any federal, state or local governmental agency, including but not limited to the Equal Employment Opportunity Commission ("EEOC") and to report violations of any law administered by the Occupational Safety and Health Administration ("OSHA"), or to provide documents and make other disclosures protected under the whistleblower provisions of state or federal law or regulation (including but not limited to the Security and Exchange Act); or (vii) the right to receive any financial awards from OSHA or the SEC for reporting possible violations of federal law or regulation in cases where the law prohibits employees from waiving their rights to receive such payments.

Section 4. Section 409A. Executive understand that, if Executive is determined to be a "specified employee" under Section 409A of the Internal Revenue Code ("IRC"), Executive will incur adverse tax consequences if Executive's separation benefits which are not otherwise excluded under 409A begin within six months of the Separation Date. Because of those tax consequences, Executive is hereby informed to consult with an attorney of his choice (and at his expense) to determine whether Executive is a "specified employee." Notwithstanding anything in this Agreement or the Severance Agreement to the contrary, if Executive informs the Company in writing prior to the Separation Date that he considers himself to be a "specified employee" under Section 409A, the Company agrees not to make the first payment to Executive until six months after the Separation Date, but that the first payment to be made to Executive after the six month waiting period will include all separation pay that Executive would have received during the waiting period, less applicable taxes and withholdings, had the transition benefits been paid immediately from the Separation Date.

Section 5. Affirmations. (a) Executive represents and agrees by signing this Agreement that he has not been denied any leave or benefit requested, has received the appropriate pay for all hours worked for Company and has no known workplace injuries or occupational diseases.

(b) Executive further affirms that he has been paid and/or has received all leave (paid or unpaid), compensation, wages, bonuses and/or commissions to which Executive may be entitled and that no other leave (paid or unpaid), compensation (including but not limited to severance pay), wages, bonuses and/or commissions are due to Executive through the date he signs this Agreement, except as provided under Article III of the Severance Agreement.

(c) If any administrative agency or court assumes jurisdiction of any charge, complaint, proceeding or action including a claim or course of action released in Section 2 of this Agreement, Executive agrees not to accept, recover or receive any monetary damages or other relief from or in connection with such claim or cause of action, including but not limited to from charges filed with the EEOC.

(d) The separation pay set forth in Schedule A being received by Executive is compensation that Executive is not entitled to receive in the absence of executing this Agreement.

(e) Executive acknowledges and agrees that he remains bound by the restrictions contained in Article IV and V of the Severance Agreement after the Separation Date.

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Section 6. Release and Waiver of Claims Under the Age Discrimination in Employment Act Executive acknowledges that the Company has encouraged the Executive to consult with an attorney of the Executive's choosing, at Executive's expense, and, through this Agreement, encourages the Executive to consult with an attorney with respect to any possible claims the Executive may have, including claims under the ADEA, as well as under the other federal, state and local laws described in Section 2 hereof. Executive understands that by signing this Agreement Executive is in fact waiving, releasing and forever giving up any claim under the ADEA, as well as all other federal, state and local laws described in Section 1 hereof that may have existed on or prior to the date hereof.

Section 7. Waiting Period and Revocation Period. Executive hereby acknowledges that the Company has informed Executive that Executive has up to twenty (21) days to consider this Agreement and Executive may knowingly and voluntarily waive that 21 day period by signing this Agreement earlier. Executive also understands that Executive shall have seven (7) days following the date on which Executive signs this Agreement within which to revoke it by providing a written notice of revocation to the Company by hand delivering or mailing it to William J. Sichko, Jr. Esq., 300 Lindenwood Drive, Valleybrooke Corporate Center, Malvern, PA, 193551740, post-marked within the seven day period.

Section 8. Acceptance. To accept this Agreement, the Executive shall execute and date this Agreement on the spaces provided and return a copy to the Company at any time during the twenty-one (21) day period commencing on the date Executive receives this Agreement, without extension of any kind (including by mutual agreement of the parties), and provided Executive does not deliver written revocation to the Company within seven (7) days after such execution.

Section 9. Confidentiality. To the extent this Agreement and its terms are not otherwise subject to public disclosure, Executive will keep this Agreement and its terms (other than the fact that Executive's employment ended effective on the Separation Date) confidential and will not disclose such information to anyone other than Executive's immediate family and professional advisors, each of whom must, as a condition to the disclosure, agree to keep the information confidential. Executive will be responsible for any breach of this Section by Executive's immediate family members and professional advisors. Notwithstanding the foregoing, this Agreement does not prohibit Executive from (a) providing truthful testimony in response to compulsory legal process, (b) participating or assisting in any investigation or inquiry by a governmental agency acting within the scope of its statutory or regulatory jurisdiction, or (c) making truthful statements in connection with any claim permitted to be brought by Executive under Section 2. In addition, nothing in this Agreement limits, restricts or in any other way affects the Executive's communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning matters relevant to the governmental agency or entity as set forth in Section 2 above.

Section 10. No Disparagement. Executive has not from the date Executive was given this Agreement and will not in the future make any defamatory or disparaging statements to any third parties regarding any Company Entities, or any of their employees, officers, or board members, as well as the Company's products, services and methods of operations. Notwithstanding the foregoing, this Agreement does not prohibit Executive from (a) providing truthful testimony in response to compulsory legal process, (b) participating or assisting in any investigation or inquiry by a governmental agency acting within the scope of its statutory or regulatory jurisdiction, or (c) making truthful statements in connection with any claim permitted to be brought by Executive under Section 2. In addition, nothing in this Agreement limits, restricts or in any other way affects the Executive's communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning matters relevant to the governmental agency or entity as set forth in Section 3 above.

Section 11. No Admissions. Neither the execution of this Agreement nor the performance of its terms and conditions shall be construed or considered by any party or by any other person as an admission of liability or wrongdoing by either party.

Section 12. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be considered an original instrument and all of which together will be considered one and the same agreement and will

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become effective when all executed counterparts have been delivered to the respective parties. Delivery of executed pages by facsimile transmission or email will constitute binding execution of this Agreement.

Section 13. Assignment. This Agreement shall be binding upon and shall inure to the benefit of the Company and its respective successors and assigns, and any such successors and assigns shall be considered third-party beneficiaries of this Agreement. Executive may not assign or transfer any payment obligations under this Agreement. Notwithstanding the foregoing, if Executive dies while payments are still owed to him under this Agreement, those payments will be paid to his spouse, if she survives him and otherwise to his estate.

Section 14. Severability. If any term, provision or paragraph of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable for any reason, such determination shall be limited to the narrowest possible scope in order to preserve the enforceability of the remaining portions of the term, provision or paragraph, and such determination shall not affect the remaining terms, provisions or paragraphs of this Agreement, which shall continue to be given full force and effect.

Section 15. Further Assurances. Executive agrees to execute and deliver, after the date hereof, without additional consideration, any additional documents, and to take any further actions, as may be necessary to fulfill the intent of this Agreement and the transactions contemplated hereby.

Section 16. Cooperation. Executive will (i) cooperate with the Company in all reasonable respects concerning any transitional matters which require Executive's assistance, cooperation or knowledge, including communicating with persons inside or outside the Company as directed by the Company, and (ii) in the event that the Company (or any of its affiliates or other related entities) becomes involved in any legal action relating to events which occurred during Executive's employment with the Company, cooperate to the fullest extent possible in the preparation, prosecution or defense of their case, including, but not limited to, the execution of affidavits or documents, testifying or providing information requested by the Company. To the extent that Executive incurs (i) travel-related expenses, (ii) out-of-pocket expenses, and/or (iii) loss of wages as a result of Executive's cooperation with the Company as contemplated by this Section, the Company will reimburse Executive for such expenses, provided they are reasonable and were approved by the Company in advance.

Section 17. Entire Agreement. Except for Articles IV and V of the Severance Agreement, which remain in full force and effect, this Agreement constitutes the complete and final agreement between the parties and supersedes and replaces all prior or contemporaneous agreements, negotiations, or discussions relating to the subject matter of this Agreement. All provisions and portions of this Agreement are severable. If any provision or portion of this Agreement or the application of any provision or portion of this Agreement shall be determined to be invalid or unenforceable to any extent or for any reason, all other provisions and portions of this Agreement shall remain in full force and shall continue to be enforceable to the fullest and greatest extent permitted by law.

Section 18. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

**IN WITNESS WHEREOF**, and with the intention of being legally bound hereby, the Executive has executed this Transition Agreement and General Release and Waiver of Claims.

/s/ Scott Randolph  
Scott Randolph

Date December 16, 2020

PQ CORPORATION:

By: /s/ William J. Sichko, Jr. December 16, 2020  
William J. Sichko, Jr. Date

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## SCHEDULE A

### Detail of Scott Randolph's Payments under the Severance Agreement

The following schedule assumes: (1) Mr. Randolph is being terminated by PQ, rather than voluntarily resigning; (2) the termination is not part of a change of control of PQ Group Holdings, Inc., (3) the termination occurs in December, 2020 ("the "Termination Date"); (4) Mr. Randolph's current annual salary is \$495,000; (5) his target bonus is equal to 75% of his annual salary; and (6) Mr. Randolph's pay and benefits, including his Annual Bonus, if any, for 2020 will be paid by the successor to Potters Industries, LLC ("the Successor").<sup>1</sup> Based on the foregoing assumptions, and conditioned on the current transaction involving the sale of Potters Industries, LLC (the "Transaction") being successfully completed, Mr. Randolph will be paid or receive the following benefits:

1. A payment equal to \$1,732,500, less applicable withholdings and deductions, payable on the 60<sup>th</sup> day following the Termination Date. This total is based on the following calculation:
  - a. Section 3.01(d)(2) of the Severance Agreement calls for a payment equal to two times his (i) base annual salary plus (ii) his target bonus. His annual salary is \$495,000. His target bonus is \$371,250 (75% of his base annual salary). The total of those two equals \$866,250. Multiplying that number by two gets to the total amount to be paid.
2. In recognition of Executive's contributions to PQ's success and because PQ wants his transition to the successor to Potters Industries, LLC ("Potters") to continue to be smooth and fair, at the request of PQ's CEO, the Compensation Committee of the Board has agreed that Mr. Randolph's equity grants will be amended to allow them to vest or be exercised for a certain period of time after the Transaction. Specifically, the Compensation Committee has approved the changes and, therefore, depending on the type of equity Mr. Randolph holds, the following will apply:
  - Unvested MOI shares: These shares will be eligible to vest during the 2-year period following the closing date of the Transaction (the PQG stock plan allows 6 months) if the MOI target is met during that time.
  - Vested Options: Mr. Randolph will have a period of 2 years from the date of the Transaction (the PQG stock plan allows 6 months) to exercise options that are already vested. If these vested options are not exercised during that time period, they will expire.
  - Unvested RSUs: Any unvested RSU's as of the date of the Transaction will be eligible to vest during the 2-year period following the closing date of the Transaction, instead of being forfeited as provided in the PQG stock plan.
  - Unvested PSUs: Any unvested PSU's as of the date of the Transaction will be eligible to vest during the 1-year period following the closing date of the Transaction.
- a. The amendments to Mr. Randolph's equity grants set forth in this Section 2 of Schedule A are further conditioned on Mr. Randolph's continued employment with the Successor during the time periods outlined above. If Mr. Randolph voluntarily resigns from Potters, or is terminated for cause, then he will immediately forfeit any further equity benefits that set forth in this Schedule. By way of explanation, if Mr. Randolph voluntarily resigns or is terminated for cause by the Successor three months after the closing of the Transaction, he will retain the sixth month periods in the PQG stock plan described in the first two bullets above. If Mr. Randolph voluntarily resigns or is terminated for cause by the Successor twelve months after the closing of the Transaction, he will retain any shares that were vested prior to that date, as well as any options that he exercised, but will not be entitled to any further vesting or exercise rights after the separation date.

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<sup>1</sup>Because the Successor will pay his compensation and benefits, including his Annual Bonus, if any, Mr. Randolph understands and agrees that PQ Corporation will not pay the "accrued benefits," the pro rata Annual Bonus, or the Continued Health Benefits as set forth in the PQ Corporation Severance Agreement.

PQ GROUP HOLDINGS INC.  
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Overview**

On December 14, 2020, PQ Corporation, an indirect, wholly owned subsidiary of PQ Group Holdings Inc. (the “Company”), completed the previously announced sale of its Performance Materials business to Potters Buyer, LLC (the “Purchaser”), an affiliate of The Jordan Company, L.P. pursuant to a Stock Purchase Agreement (the “Purchase Agreement”) dated October 15, 2020 between PQ Corporation and the Purchaser, for a purchase price of \$650.0 million in cash, subject to certain adjustments specified in the Purchase Agreement, including for indebtedness, cash, working capital and transaction expenses of the Performance Materials business at the closing of the transaction (such transaction, the “Transaction”). Pursuant to the Transaction, the Company divested its Performance Materials business to the Purchaser through the sale of the Company’s direct and indirect equity interest in each of the Company’s subsidiaries comprising the Performance Materials business.

The closing of the Transaction triggered PQ Corporation’s obligation to provide partial repayment under both its Amended and Restated Term Loan Credit Agreement, dated May 4, 2016, and its New Term Loan Credit Agreement, dated as of July 22, 2020, of an estimated \$275.8 million and \$188.7 million, respectively (the “Estimated Required Debt Repayment”).

In connection with the closing of the Transaction, the Company’s Board of Directors declared a special cash dividend of \$250.0 million, or \$1.80 per share, payable on December 29, 2020 to shareholders of record as of the close of business on December 21, 2020.

In the fourth quarter of 2020, the Performance Materials business met the criteria set forth in Accounting Standards Codification 205-20, Presentation of Financial Statements – Discontinued Operations (“ASC 205-20”). As a result, the Performance Materials business will be presented as discontinued operations in the Company’s consolidated financial statements beginning with its Annual Report on Form 10-K for the year ended December 31, 2020.

The unaudited pro forma condensed consolidated financial statements were prepared in accordance with Article 11 of Regulation S-X and have been derived from the historical financial statements prepared in accordance with accounting principles generally accepted in the United States of America and are presented based on available information and certain assumptions that management believes are reasonable.

The unaudited pro forma financial information presents the Company’s unaudited pro forma condensed consolidated financial statements reflecting the effect of the Transaction as well as the Estimated Required Debt Repayment. The unaudited pro forma condensed consolidated statements of income reflect the effect of the Transaction as if it had occurred on January 1, 2017, the beginning of the earliest period presented. The unaudited pro forma condensed consolidated balance sheet reflects the Company’s financial position as if the Transaction and the Estimated Required Debt Repayment had occurred on September 30, 2020.

The unaudited pro forma condensed consolidated financial statements and the accompanying notes should be read in conjunction with the Company’s historical financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 and its Quarterly Report on Form 10-Q for the period ended September 30, 2020.

The unaudited pro forma condensed consolidated financial statements are provided for informational purposes only and are not necessarily indicative of the operating results that would have occurred if the Transaction had been completed as of the dates set forth above, nor is it indicative of the future results of the Company. The unaudited pro forma condensed consolidated financial statements do not purport to project the future operating results or financial position of the Company following the Transaction.

PQ GROUP HOLDINGS INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
 As of September 30, 2020  
 (In thousands)

	Historical As Reported	(A) Divestiture of Performance Materials	(C) Pro Forma Adjustments	Pro Forma
<b>ASSETS</b>				
Cash and cash equivalents	\$ 164,348	\$ 611,695	\$ (464,509)	\$ 311,534
Accounts receivables, net	196,082	(59,328)	—	136,754
Inventories, net	249,662	(125,648)	—	124,014
Prepaid and other current assets	37,409	(5,558)	—	31,851
Total current assets	647,501	421,161	(464,509)	604,153
Investments in affiliated companies	479,454	(120)	—	479,334
Property, plant and equipment, net	1,135,757	(170,734)	—	965,023
Goodwill	1,263,853	(293,635)	—	970,218
Other intangible assets, net	638,772	(114,055)	—	524,717
Right-of-use lease assets	56,232	(7,924)	—	48,308
Other long-term assets	102,873	(68,818)	—	34,055
Total assets	<u>\$ 4,324,442</u>	<u>\$ (234,125)</u>	<u>\$ (464,509)</u>	<u>\$ 3,625,808</u>
<b>LIABILITIES</b>				
Notes payable and current maturities of long-term debt	\$ 14,538	\$ (8,038)	\$ —	\$ 6,500
Accounts payable	116,797	(29,687)	—	87,110
Operating lease liabilities—current	16,774	(3,146)	—	13,628
Accrued liabilities	86,117	31,871 (B)	—	117,988
Total current liabilities	234,226	(9,000)	—	225,226
Long-term debt, excluding current portion	1,905,007	(56,458)	(455,686)	1,392,863
Deferred income taxes	224,457	(31,220) (B)	—	193,237
Operating lease liabilities—noncurrent	38,341	(4,499)	—	33,842
Other long-term liabilities	118,225	(18,724)	—	99,501
Total liabilities	2,520,256	(119,901)	(455,686)	1,944,669
<b>EQUITY</b>				
Common stock	1,368	—	—	1,368
Preferred stock	—	—	—	—
Additional paid-in capital	1,715,504	—	—	1,715,504
Retained earnings (accumulated deficit)	126,675	(118,868)	(8,823)	(1,016)
Treasury stock	(10,534)	—	—	(10,534)
Accumulated other comprehensive loss	(32,526)	5,534	—	(26,992)
Total PQ Group Holdings Inc. equity	1,800,487	(113,334)	(8,823)	1,678,330
Noncontrolling interest	3,699	(890)	—	2,809
Total equity	1,804,186	(114,224)	(8,823)	1,681,139
Total liabilities and equity	<u>\$ 4,324,442</u>	<u>\$ (234,125)</u>	<u>\$ (464,509)</u>	<u>\$ 3,625,808</u>

*See accompanying notes to the unaudited pro forma condensed consolidated financial statements.*

PQ GROUP HOLDINGS INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME  
 Nine Months Ended September 30, 2020  
 (In thousands, except per share amounts)

	Historical As Reported	(D) Divestiture of Performance Materials	Pro Forma
Sales	\$ 1,101,442	\$ (280,664)	\$ 820,778
Cost of goods sold	823,503	(208,854)	614,649
Gross profit	277,939	(71,810)	206,129
Selling, general and administrative expenses	119,294	(26,338)	92,956
Other operating expense, net	47,059	(16,585)	30,474
Operating income	111,586	(28,887)	82,699
Equity in net (income) from affiliated companies	(20,025)	—	(20,025)
Interest expense, net	65,372	(12,810)	52,562
Debt extinguishment costs	16,517	—	16,517
Other (income) expense, net	(4,297)	1,201	(3,096)
Income before income taxes and noncontrolling interest	54,019	(17,278)	36,741
Provision for income taxes	29,453	(3,077)	26,376
Net income	24,566	(14,201)	10,365
Less: Net income attributable to the noncontrolling interest	904	(219)	685
Net income attributable to PQ Group Holdings Inc.	\$ 23,662	\$ (13,982)	\$ 9,680
Net income per share:			
Basic income per share	\$ 0.17		\$ 0.07
Diluted income per share	\$ 0.17		\$ 0.07
Weighted average shares outstanding			
Basic	135,292,163		135,292,163
Diluted	136,188,033		136,188,033

*See accompanying notes to the unaudited pro forma condensed consolidated financial statements.*

PQ GROUP HOLDINGS INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME  
 Year Ended December 31, 2019  
 (In thousands, except per share amounts)

	Historical As Reported	(D) Divestiture of Performance Materials	Pro Forma
Sales	\$ 1,567,072	\$ (373,686)	\$ 1,193,386
Cost of goods sold	1,176,550	(281,566)	894,984
Gross profit	390,522	(92,120)	298,402
Selling, general and administrative expenses	166,880	(37,364)	129,516
Other operating expense, net	35,840	(14,462)	21,378
Operating income	187,802	(40,294)	147,508
Equity in net (income) from affiliated companies	(46,034)	12	(46,022)
Interest expense, net	111,525	(24,453)	87,072
Debt extinguishment costs	3,400	—	3,400
Other (income) expense, net	(2,098)	(200)	(2,298)
Income before income taxes and noncontrolling interest	121,009	(15,653)	105,356
Provision for income taxes	40,699	(8,020)	32,679
Net income	80,310	(7,633)	72,677
Less: Net income attributable to the noncontrolling interest	771	(154)	617
Net income attributable to PQ Group Holdings Inc.	<u>\$ 79,539</u>	<u>\$ (7,479)</u>	<u>\$ 72,060</u>
Net income per share:			
Basic income per share	\$ 0.59		\$ 0.54
Diluted income per share	\$ 0.59		\$ 0.53
Weighted average shares outstanding			
Basic	134,389,667		134,389,667
Diluted	135,548,694		135,548,694

*See accompanying notes to the unaudited pro forma condensed consolidated financial statements.*

PQ GROUP HOLDINGS INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME  
 Year Ended December 31, 2018  
 (In thousands, except per share amounts)

	Historical As Reported	(D) Divestiture of Performance Materials	Pro Forma
Sales	\$ 1,608,154	\$ (386,921)	\$ 1,221,233
Cost of goods sold	1,226,520	(308,679)	917,841
Gross profit	381,634	(78,242)	303,392
Selling, general and administrative expenses	168,628	(37,226)	131,402
Other operating expense, net	29,450	(13,023)	16,427
Operating income	183,556	(27,993)	155,563
Equity in net (income) from affiliated companies	(37,611)	42	(37,569)
Interest expense, net	113,723	(22,965)	90,758
Debt extinguishment costs	7,751	—	7,751
Other (income) expense, net	11,077	(191)	10,886
Income before income taxes and noncontrolling interest	88,616	(4,879)	83,737
Provision for income taxes	28,995	1,229	30,224
Net income	59,621	(6,108)	53,513
Less: Net income attributable to the noncontrolling interest	1,321	(213)	1,108
Net income attributable to PQ Group Holdings Inc.	\$ 58,300	\$ (5,895)	\$ 52,405
Net income per share:			
Basic income per share	\$ 0.44		\$ 0.39
Diluted income per share	\$ 0.43		\$ 0.39
Weighted average shares outstanding			
Basic	133,380,567		133,380,567
Diluted	134,684,931		134,684,931

*See accompanying notes to the unaudited pro forma condensed consolidated financial statements.*

PQ GROUP HOLDINGS INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME  
 Year Ended December 31, 2017  
 (In thousands, except per share amounts)

	Historical As Reported	(D) Divestiture of Performance Materials	Pro Forma
Sales	\$ 1,472,101	\$ (333,363)	\$ 1,138,738
Cost of goods sold	1,095,265	(250,807)	844,458
Gross profit	376,836	(82,556)	294,280
Selling, general and administrative expenses	146,723	(33,818)	112,905
Other operating expense, net	64,225	(18,331)	45,894
Operating income	165,888	(30,407)	135,481
Equity in net income from affiliated companies	(38,772)	—	(38,772)
Interest expense, net	179,044	(25,003)	154,041
Debt extinguishment costs	61,886	—	61,886
Other (income) expense, net	24,364	845	25,209
Loss before income taxes and noncontrolling interest	(60,634)	(6,249)	(66,883)
Benefit for income taxes	(119,197)	12,596	(106,601)
Net income	58,563	(18,845)	39,718
Less: Net income attributable to the noncontrolling interest	960	(276)	684
Net income attributable to PQ Group Holdings Inc.	<u>\$ 57,603</u>	<u>\$ (18,569)</u>	<u>\$ 39,034</u>
Net income per share:			
Basic income per share	\$ 0.52		\$ 0.35
Diluted income per share	\$ 0.52		\$ 0.35
Weighted average shares outstanding			
Basic	111,299,670		111,299,670
Diluted	111,669,037		111,669,037

*See accompanying notes to the unaudited pro forma condensed consolidated financial statements.*

PQ GROUP HOLDINGS INC.  
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The historical condensed consolidated financial statements have been adjusted to give pro forma effect to events that are (i) directly attributable to the Transaction and Estimated Required Debt Payment, (ii) expected to have a continuing impact on the future results of the Company, and (iii) factually supportable. The special dividend is not reflected in the unaudited pro forma condensed consolidated financial statements as it was not a required use of proceeds from the Transaction.

The unaudited pro forma condensed consolidated financial statements (i) are presented based upon available information and assumptions that the Company believes are reasonable, (ii) are intended for informational purposes only, (iii) are not necessarily indicative of and do not purport to represent what the Company's operating results would have been had the Transaction and related events occurred as described or what the Company's future operating results will be after giving effect to these events, and (iv) do not reflect all actions that may be undertaken by the Company after the divestiture of the Performance Materials business. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

(A) The unaudited pro forma condensed consolidated balance sheet as of September 30, 2020 reflects the following divestiture-related adjustments as if the Transaction occurred on September 30, 2020:

- The cash proceeds received, net of estimated transaction costs and closing adjustments, in connection with the Transaction
- The elimination of the net assets subject to the Performance Materials divestiture
- Estimated income tax provision resulting from the Transaction
- Recognition of a preliminary \$118.9 million loss on sale, net of taxes. The actual after-tax loss to be recorded on the sale of Performance Materials may change based on items such as adjustments to the estimated transaction costs as well as final calculations related to the tax basis of the assets. The preliminary estimated loss was calculated as follows (in millions):

Estimated proceeds, net of transaction costs and closing adjustments	\$ 629.7
Performance Materials net assets held for sale	(677.3)
Recognition of accumulated translation adjustments resulting from the sale of Performance Materials' foreign subsidiaries	<u>(5.5)</u>
Pre-tax loss on the sale of Performance Materials	<u>(53.1)</u>
Estimated tax provision on the sale of Performance Materials	<u>(65.8)</u>
After-tax loss on the sale of Performance Materials	<u><u>\$ (118.9)</u></u>

(B) In addition to the removal of income taxes payable and deferred taxes pursuant to the Transaction, this adjustment reflects preliminary estimates of the Company's income tax payable of \$48.9 million resulting from the Transaction and a net increase in deferred tax liabilities of \$16.9 million related to a reduction in a deferred tax asset of \$45.6 million from the planned use of net operating loss carryforwards and the reversal of \$28.7 million on associated deferred tax liabilities. The estimated tax impacts related to the Transaction are subject to change based on the final calculations of the tax basis of assets as well as actual results related to ongoing 2020 activity in the U.S. Such changes could be significant.

(C) The unaudited pro forma condensed consolidated balance sheet as of September 30, 2020 reflects the following pro forma adjustment related to the Estimated Required Debt Repayment. The pro forma adjustment includes the effect of an estimated mandatory repayment of approximately \$275.8 million of the Senior Secured Term Loan Facility due February 2027 and an estimated mandatory payment of \$188.7 million of the New Senior Secured Term Loan Facility due February 2027. The repayment results in the recognition of an \$8.8 million loss on extinguishment of debt, which includes the write-off of \$2.8 million of unamortized deferred financing costs and \$6.0 million of original issue discount.

(D) The divestiture of the Performance Materials business columns on the unaudited pro forma condensed consolidated statements of income represent the historical financial results directly attributable to the Performance Materials business and the interest expense associated with the Estimated Required Debt Repayment, in accordance with ASC 205-20.