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1 December 2010

**RECOMMENDED CASH ACQUISITION OF  
CLYDE PROCESS SOLUTIONS PLC (“CPS”)**

**AT 82.5 PENCE PER CPS SHARE**

**by**

**S-PROCESS EQUIPMENT INTERNATIONAL S.á r.l. (“SCHENCK PROCESS”)**

**Summary**

The Boards of CPS and Schenck Process are pleased to announce that they have reached an agreement on the terms of recommended proposals for Schenck Process to acquire the entire issued and to be issued share capital of CPS.

The Acquisition will be made on the following basis:

**82.5 pence in cash for each CPS Share.**

- The Acquisition represents:
  - a premium of 13.8 per cent. to the Closing Price of 72.5 pence per CPS Share on 30 November 2010, being the last Business Day prior to this announcement;
  - a premium of 32.8 per cent. to the average Closing Price of approximately 62.1 pence per CPS Share over the 90 day trading period ended 30 November 2010; and
  - an enterprise value multiple of 9.7x EBITDA for the 12 month period ended 31 August 2010.
- In addition, CPS Shareholders remain entitled to receive the interim dividend of 0.4 pence per CPS Share in respect of the half year ended 31 August 2010 announced by the CPS Directors on 24 November 2010.
- The terms of the Acquisition value CPS' existing issued share capital at approximately £33.3 million and, on a fully diluted basis, at approximately £35.0 million.
- The Acquisition will be implemented by way of a scheme of arrangement under Part 26 of the Act.
- The CPS Directors, who have been so advised by Cairn Financial Advisers, consider the terms of the Acquisition to be fair and reasonable. In providing its advice, Cairn

Financial Advisers has taken into account the commercial assessments of the CPS Directors. Accordingly, the CPS Directors intend unanimously to recommend that CPS Shareholders vote in favour of the Scheme Resolutions as they intend to in respect of their own shareholdings.

- Schenck Process has received irrevocable undertakings to vote in favour of the Scheme Resolutions in respect of a total of 21,863,571 CPS Shares representing, in aggregate, approximately 54.1 per cent. of the existing issued share capital of CPS, comprised as follows:
  - (a) from each of the CPS Directors in respect of, in aggregate, 9,246,710 CPS Shares, representing approximately 22.9 per cent. of the existing issued share capital of CPS. These undertakings will continue to be binding even if a competing offer is made for CPS which exceeds the value of the Acquisition and even if such higher offer is recommended for acceptance by the Board of CPS;
  - (b) from Atorka in respect of, in aggregate, 9,778,557 CPS Shares, representing approximately 24.2 per cent. of the existing issued share capital of CPS. This undertaking will continue to be binding even if a competing offer is made for CPS which exceeds the value of the Acquisition and even if such higher offer is recommended for acceptance by the Board of CPS; and
  - (c) from Uberior in respect of, in aggregate, 2,838,304 CPS Shares, representing approximately 7.0 per cent. of the existing issued share capital of CPS. This undertaking will continue to be binding even if a competing offer is made for CPS unless such competing offer represents an improvement of not less than 10 per cent. on the value of the Acquisition and Schenck Process does not announce a revised offer which represents an improvement on the terms of such competing offer.

Further details in relation to these irrevocable undertakings (including in relation to the circumstances in which they cease to be binding) are contained in Appendix III to this announcement.

To become effective, the Scheme requires, amongst other things, the approval of a majority in number of the Scheme Shareholders present and voting in person or by proxy at the Court Meeting, representing not less than three-fourths in value of the Scheme Shares held by such Scheme Shareholders, together with the sanction of the Court and the passing of the resolutions necessary to implement the Scheme at the General Meeting. It is anticipated that a Scheme Document containing the notice of the two meetings will be sent to CPS Shareholders in December 2010 (or such later date as may be agreed with the Panel) following a hearing of the Court application to convene the Court Meeting. Schenck Process has, however, reserved the right to implement the Acquisition by way of an Offer.

Commenting on the Acquisition, Dr Jochen Weyrauch, President & CEO of Schenck Process Holding GmbH (the principal subsidiary of the Schenck Process Group), said:

*“We are delighted to have reached an agreement with the Board of Directors of CPS and look forward to warmly welcoming CPS to the Schenck Process Group.*”

*We have studied the proposed Acquisition in great detail and believe its merits are compelling for both CPS and the Schenck Process Group. We share similar visions and business philosophies and with their market leading MAC Equipment and Clyde Materials Handling brands, our combined product offering strengthens our position to deliver energy saving and environment solutions to target markets within the Building Materials, Chemical, Food, Metals and Mineral Industries. Furthermore, the geographic reach and product and systems offerings of the Schenck Process Group and CPS are highly complimentary and fundamental to the strategic rationale for the Acquisition. In particular, given the Schenck Process Group's penetration of emerging markets, especially China, India and South America, we expect to be able to leverage our position in order to significantly accelerate CPS' growth in these increasingly important markets."*

Jim McColl, Chairman of CPS, said:

*"Our board is unanimously recommending this acquisition by Schenck Process because of the clear benefits we see for the company's shareholders, customers and employees. We believe that the multiple of 9.7 times EBITDA represented by the enterprise value of the Acquisition is an attractive valuation of CPS and that Schenck Process provides CPS, its management and employees with a strong platform from which to take the business forward."*

Greenhill is acting as the sole financial adviser to Schenck Process. Cairn Financial Advisers and PricewaterhouseCoopers are acting as financial advisers to CPS.

**This summary should be read in conjunction with the full text of the following announcement and the Appendices.**

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## **IMPORTANT NOTICES**

*This announcement does not constitute an offer or an invitation to purchase any securities. The Acquisition will be made solely by the Scheme Documentation which will contain the full terms and conditions of the Acquisition. Please carefully read the Scheme Documentation (when it becomes available) in its entirety before making a decision with respect to the Acquisition.*

*Greenhill, which is authorised and regulated by the Financial Services Authority, is acting exclusively for Schenck Process and no one else in connection with the Acquisition and will not be responsible to anyone else in connection with the Acquisition, and will not be responsible to anyone other than Schenck Process for providing the protections afforded to clients of Greenhill or for providing advice in relation to the Acquisition or any other matters referred to in this document.*

*Cairn Financial Advisers, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser to CPS and no one else in connection with the Acquisition, and will not be responsible to anyone other than CPS for providing the protections afforded to clients of Cairn Financial Advisers or for providing advice in relation to the Acquisition or any other matters referred to in this document.*

*PricewaterhouseCoopers, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser to CPS and no one else in connection with the Acquisition, and will not be responsible to anyone other than CPS for providing the protections afforded to clients of PricewaterhouseCoopers or for providing advice in relation to the Acquisition or any other matters referred to in this document*

*The distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdiction.*

*This announcement has been prepared for the purpose of complying with the Code and the information disclosed in this document may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdiction outside of England.*

### **Forward-looking statements**

*It is possible that this announcement could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. Reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Schenck Process and CPS' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.*

### **Dealing disclosure requirements**

*Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any paper offeror is first identified.*

*An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.*

### **Publication on website**

*A copy of this announcement will shortly be available, subject to certain restrictions relating to persons resident in jurisdictions outside of the UK, for inspection on CPS' website at [www.clydeprocesssolutions.com](http://www.clydeprocesssolutions.com) during the course of the Acquisition.*

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**S-PROCESS EQUIPMENT INTERNATIONAL S.á r.l (“SCHENCK PROCESS”)**

**1. Introduction**

The Boards of CPS and Schenck Process are pleased to announce that they have reached agreement on the terms of recommended proposals for Schenck Process to acquire the entire issued and to be issued share capital of CPS. Schenck Process may elect, at any time and in its absolute discretion (subject to Panel consent, if required), to substitute any other majority-owned member of the Schenck Process Group as offeror in relation to the Acquisition.

This announcement sets out the key terms of the Acquisition, which is to be effected by way of a scheme of arrangement under Part 26 of the Act, and explains the background to and the reasons why the CPS Directors, who have been so advised by Cairn Financial Advisers, intend unanimously to recommend that CPS Shareholders vote in favour of the Scheme Resolutions, as those CPS Directors who own CPS Shares have irrevocably undertaken to do in respect of their beneficial and certain of their connected holdings of CPS Shares.

To become effective, the Scheme requires, amongst other things, the approval of a majority in number of the Scheme Shareholders present and voting in person or by proxy at the Court Meeting, representing not less than three-fourths in value of the Scheme Shares held by such Scheme Shareholders, together with the sanction of the Court and the passing of the resolutions necessary to implement the Scheme at the General Meeting. It is anticipated that a Scheme Document containing the notice of the two meetings will be sent to CPS Shareholders in December 2010 (or such later date as may be agreed with the Panel) following a hearing of the Court application to convene the Court Meeting.

**2. Summary of the recommended Acquisition**

Under the Scheme, which will be subject to the conditions and further terms set out below and in Appendix I and to be set out in the Scheme Document, CPS Shareholders holding Scheme Shares at the Scheme Record Time will receive:

**82.5 pence in cash for each CPS Share.**

The Acquisition represents:

- a premium of 13.8 per cent. to the Closing Price of 72.5 pence per CPS Share on 30 November 2010, being the last Business Day prior to this announcement;
- a premium of 32.8 per cent. to the average Closing Price of approximately 62.1 pence per CPS Share over the 90 day trading period ended 30 November 2010; and
- an enterprise value multiple of 9.7x EBITDA for the 12 month period ended 31 August 2010.

The terms of the Acquisition value CPS' existing issued share capital at approximately £33.3 million and, on a fully diluted basis, at approximately £35.0 million.

In addition, CPS Shareholders remain entitled to receive the interim dividend of 0.4 pence per CPS Share in respect of the half year ended 31 August 2010 announced by the CPS Directors on 24 November 2010. In order to facilitate the payment of the interim dividend within the expected timetable of the Acquisition, CPS expects, conditional on the Scheme Resolutions being passed, to pay the interim dividend within approximately 20 days of the date of the General Meeting to all CPS Shareholders on the register at the close of business on the day of the General Meeting. If the Scheme Resolutions are not passed, CPS expects to pay the interim dividend as stated in the Company's interim results released on 24 November 2010 by reference to the record date as stated in the interim results.

On the Scheme becoming effective, it will be binding on all holders of CPS Shares including any CPS Shareholders who did not vote to approve the Scheme or who voted against the Scheme.

The Acquisition will be subject to the terms and conditions set out in Appendix I of this announcement and those contained in the Scheme Document. The Scheme will not become effective and the Acquisition will not be completed unless the conditions set out in Appendix I of this announcement and the Scheme Document have been satisfied (or, if capable of waiver, waived) by 5.00 p.m. (London time) on 9 June 2011, or such later date as Schenck Process and CPS may agree and (if required) the Court may approve.

### **3. Irrevocable undertakings**

Schenck Process has received irrevocable undertakings to vote in favour of the Scheme Resolutions in respect of a total of 21,863,571 CPS Shares representing, in aggregate, approximately 54.1 per cent. of the existing issued share capital of CPS, comprised as follows:

- (a) from each of the CPS Directors in respect of CPS Shares held by them and certain other CPS Shareholders in respect of their entire beneficial holdings which amount, in aggregate, to 9,246,710 CPS Shares, representing approximately 22.9 per cent. of the existing issued share capital of CPS. These undertakings will continue to be binding even if a competing offer is made for CPS which exceeds the value of the Acquisition and even if such higher offer is recommended for acceptance by the Board of CPS;
- (b) from Atorka in respect of its entire beneficial holding which amounts, in aggregate, to 9,778,557 CPS Shares, representing approximately 24.2 per cent. of the existing issued

share capital of CPS. This undertaking will continue to be binding even if a competing offer is made for CPS which exceeds the value of the Acquisition and even if such higher offer is recommended for acceptance by the Board of CPS; and

- (c) from Uberior in respect of, in aggregate, 2,838,304 CPS Shares, representing approximately 7.0 per cent. of the existing issued share capital of CPS. This undertaking will cease to be binding if :
- (i) the directors of CPS have not, prior to the date of this announcement, given irrevocable undertakings on the basis described at (a) above;
  - (ii) any third party shall in accordance with the Code announce a firm intention to make a general offer for all shares in CPS (not already owned by such third party):
    - (1) which represents an improvement of at least 10 per cent. per share over the value of the consideration available under the Acquisition; and
    - (2) Schenck Process fails to announce, at or prior to 11:59 p.m. on the seventh business day after such higher offer is announced, a revision to the terms of the Acquisition which represents an improvement to the consideration per share available under such higher offer;
  - (iii) neither a Scheme Document nor an Offer Document has been posted to the CPS Shareholders prior to 29 December 2010 (or such later date as may be agreed with the Panel);
  - (iv) (if the Acquisition is implemented by way of Scheme) the Scheme lapses, is withdrawn or otherwise does not become effective in accordance with its terms, and Schenck Process has not, within fourteen days of such event, elected to implement the Acquisition by means of the Offer;
  - (v) (if the Acquisition is implemented by way of Offer) the Offer lapses or is withdrawn; or
  - (vi) the Acquisition has not closed (or, if applicable, become effective) before 9 June 2011.

Further details of these irrevocable undertakings (including in relation to the circumstances in which they cease to be binding) are contained in Appendix III to this announcement.

#### **4. Information on Schenck Process and the Schenck Process Group**

Schenck Process, the parent company of the Schenck Process Group, is an investment vehicle of certain funds advised by IK Investment Partners, a leading European private equity investor. Schenck Process Holding GmbH is the principal subsidiary of the Schenck Process Group, and is owned by Schenck Process and management. It is intended that, in due course, the shares in CPS will be transferred to Schenck Process Holding GmbH.

The Schenck Process Group is a global leader in bulk material handling, providing applications incorporating weighing, feeding, screening and automation solutions to a multitude of industries throughout the world. Founded in Darmstadt, Germany, in 1881 as an iron foundry and weighing machine factory, the Schenck Process Group is today a global enterprise employing approximately 2,100 people across 27 countries. For the financial year ended 31 December 2009, the Schenck Process Group achieved revenues of €388 million.

The Schenck Process Group is organised across five international business segments, each providing industrial weighing, feeding, screening, automation and bulk handling solutions to various markets:

- IBS Heavy: servicing the cement, gypsum, sand and gravel, steel, and non-ferrous metals industries;
- IBS Light: servicing the chemicals, food, pharmaceuticals, and plastics industries;
- IBS Mining: servicing the wider mining industry;
- IBS Power: servicing coal-fired plants and associated industries; and
- IBS Transport Automation: providing logistical processes to the road, rail and ports industries.

## **5. Background to and reasons for the Acquisition**

The Schenck Process Group has long been attracted to CPS and considers it to be a well managed business that is respected by its customers. CPS has a strong expertise in air filtration and pneumatic conveying and injection technology that the Schenck Process Group believes will further enhance its own value proposition to its IBS Heavy and IBS Light customers, in particular. The Schenck Process Group believes a combination will provide considerable benefits for both companies and their respective stakeholders, including the following:

- CPS' strong positions in key markets and key technologies are highly complementary with those of the Schenck Process Group;
- With the Schenck Process Group's extensive presence in emerging markets such as China, India and South America, the Schenck Process Group expects to be able to leverage its position in order to accelerate CPS' penetration in these key markets;
- The Schenck Process Group believes it can accelerate the introduction of CPS' US based technology into the European and other key export markets;
- The Schenck Process Group is committed to the UK and US markets and intends for CPS to play an important role in increasing its presence in these territories; and
- The Schenck Process Group (as enlarged by the acquisition of CPS) would offer a global footprint within the market due to its complementary range of mechanical and pneumatic

conveying technologies and would be able to offer customers the opportunity to buy both capital equipment and package solutions from one competent single source.

Beyond the compelling strategic rationale of bringing together complementary technologies, Schenck Process believes that the combination of the companies will create a stronger global competitor especially in heavy and light industries with greater scale, scope and geographic reach, and enhanced process and material handling expertise.

The Schenck Process Group believes that through its prior experience of successfully operating and integrating similar businesses, achieving operational improvements and executing synergistic acquisitions, it is well positioned to take CPS to the next stage of its development.

## **6. Background to and reasons for recommending the Acquisition**

The CPS Directors have been disappointed at the continuing low value placed on the CPS Group despite the continuing strong performance of the business. Having reviewed, during the summer of 2010, ways to maximise value for shareholders and after considering a number of options, the CPS Directors concluded that a sale of CPS at an appropriate price would provide all shareholders with the means to realise value. Consequently, discussions have been held with a small number of potential acquirers, culminating in today's announcement of the proposed acquisition by Schenck Process.

The CPS Board has considered the prospects for the business over the short to medium term against the recent and continuing challenging market background, the ongoing globalisation within the customer base and the resultant investment required in its sales and distribution network and a capital structure that is now constraining its ability to be a market leader and continue its hitherto highly successful consolidation strategy. The CPS Board believes that the Acquisition represents the most appropriate strategic way for CPS to achieve its next phase of growth against this background and that the Acquisition will benefit CPS' shareholders, customers, and employees.

In assessing the proposals from Schenck Process, the CPS Board has taken into account a number of factors, including:

- the EBITDA multiple of 9.7 times represented by the enterprise value of the Acquisition is an attractive valuation of CPS when compared with comparable transactions for businesses of this nature and taking into account the short term prospects of the business;
- CPS Shareholders will receive 82.5 pence in cash which, given CPS' relatively concentrated shareholder base and low daily trading volumes, in the CPS Board's opinion represents a good opportunity for shareholders to realise their investment in the Company at an attractive price;
- the Acquisition price represents a premium of 13.8% on the closing price on 30 November 2010 of 72.5 pence per share and a premium of 32.8% on the average closing price over the 90 day trading period ended on 30 November 2010 of 62.1 pence per share and the share price has not been significantly higher than the Acquisition price since February 2008;

- the small market capitalisation of CPS, the highly concentrated structure of its current shareholders and relatively low free float has led to liquidity issues which impacts on its valuation and restricts the ability of shareholders to exit from their investment. CPS is a relatively small company and the appetite of UK fund managers for sub-£50 million market capitalisation companies has reduced markedly in the past three years. This has led to reductions in ratings for smaller companies but also increased volatility as small sales or purchases affect the share price disproportionately. In addition, the presence of a c.24 per cent. shareholder has acted as an overhang on the share price;
- CPS has a defined benefit pension scheme which currently has a deficit on the balance sheet of approximately £12m which the CPS Directors believe may hold back CPS' market value given the relative rarity of such schemes and the CPS Directors' belief that the market increasingly views defined pension fund deficits as debt. In addition, the CPS Directors believe that CPS Group's current level of indebtedness, although sustainable, may have held back the share price as investors have, since the global debt crisis, tended not to favour companies they view as being too heavily geared. Any equity fundraising to reduce the debt levels may be heavily dilutive for existing shareholders;
- CPS' exposure to the corporate investment cycle and the current trading environment in which CPS finds itself; relative to its principal competitors, CPS is small in terms of turnover and balance sheet, but competes with them on even terms. However, while CPS is able to source and execute substantial contracts in its current state, the CPS Directors believe that this may be easier to do as part of a larger group; the nature of the CPS Group's business places reliance on a number of large contracts being won, and revenue through them and timing can be hard to predict. This, in turn, makes profits harder to predict, which can make the company less attractive to investors, who place more value on visibility of earnings. CPS may be better placed as a part of a larger group which has a long term view and has a full understanding of the timing issues; and
- the ability to continue to participate in market consolidation in the sector and the challenges presented by doing so as a relatively small player in its market sector. The CPS Directors have identified a number of acquisition opportunities which, if undertaken by CPS in its present structure by means of either an equity fundraising or using CPS Shares as consideration, may be dilutive to the interests of existing shareholders. However, as part of a larger group with sufficient funding they believe these acquisition opportunities would present excellent growth and consolidation opportunities.

## **7. Directors' recommendation**

The CPS Directors, who have been so advised by Cairn Financial Advisers, consider the terms of the Acquisition to be fair and reasonable and intend unanimously to recommend that CPS Shareholders vote in favour of the Scheme Resolutions, as they intend to do in respect of their own shareholdings totalling 9,246,710 CPS Shares (representing 22.9 per cent. of the CPS issued share capital). In providing its advice to the CPS Directors, Cairn Financial Advisers has taken into account the commercial assessments of the CPS Directors.

## **8. Break Fee**

CPS has agreed to pay Schenck Process a break fee of the lower of (i) £351,000 and (ii) 1 per cent. of the value of the Acquisition (in each case inclusive of value added tax, if any, except to the extent that such value added tax is recoverable by CPS).

The break fee will be payable if:

- (i) the Directors of CPS withdraw or adversely modify their recommendation of the Acquisition; or
- (ii) a Third Party Announcement is made and the Third Party Transaction referred to in such announcement, or any other Third Party Transaction has been formally announced, subsequently becomes or is declared unconditional in all respects or is completed.

## **9. Financing the Acquisition**

The cash consideration payable under the Acquisition will be funded using equity contributions from Schenck Process' shareholders, certain funds advised by IK Investment Partners. Schenck Process has also arranged an irrevocable standby letter of credit from Skandinaviska Enskilda Banken AB (publ) to cover the cash consideration payable under the Acquisition in full.

Greenhill is satisfied and has confirmed to CPS that sufficient financial resources are available to Schenck Process to satisfy in full the cash consideration payable to CPS Shareholders pursuant to the Acquisition.

## **10. Information on CPS**

CPS is a global provider of pneumatic conveying and air filtration solutions for process industries. The CPS Group is primarily involved with the design and implementation of value-adding, energy efficient solutions, which are used to handle the raw materials required to produce commodities such as metals, cement, chemicals and ethanol, and the raw ingredients of food (both human and pet food). The CPS Group has close to 40 years of experience in the pneumatic conveying and air filtration industries, backed by a wealth of process knowledge. CPS has an extensive global reference list complemented by operations in Europe, North America, China, South America and South Africa, and uses its technologies to improve the operational effectiveness of its customers' production processes.

CPS has two main subsidiaries:

- Clyde Materials Handling Limited, headquartered in Doncaster, provides pneumatic conveying, pneumatic injection and valve solutions to a global and diverse customer base which primarily operates in the metals and minerals markets; and
- MAC Equipment Inc, headquartered in Kansas City, USA, a leading provider in the US market, focuses on the design, engineering and manufacturing of customised pneumatic conveying and air filtration systems to customers in manufacturing

environments, including food, chemicals, building products, plastics, ethanol and biodiesel industries.

CPS' global headquarters are in Glasgow, UK, and the CPS Group employs 520 people throughout ten worldwide offices to support its global customer base. CPS is listed on the AIM market of the London Stock Exchange in July 2006 and is included in both the FTSE Industrial Engineering sector and the FTSE Environmental Markets Index.

## **11. Current trading and prospects of CPS**

CPS' interim statement for the six months ended 31 August 2010 was released to the market on 24 November 2010.

The CPS Directors believe that CPS delivered a strong performance for the six month period to 31 August 2010 in what remains a challenging economic environment throughout a number of its geographical territories. Despite these challenges, CPS has continued to grow its order intake and strengthened the order book through CPS' execution of its diversified strategy across key customer markets, technologies and geographical territories. CPS' teams around the world have focused hard on winning relevant opportunities and with great success against the competition. The improved order intake enabled CPS' operations to generate increased revenue and profit for the six month period to 31 August 2010 compared to the immediate previous six month period to 28 February 2010.

The CPS Group has achieved strong order diversification across all key customer markets, with the reliance on the food sector reducing compared to the equivalent period last year and orders in respect of the metals sector experiencing an upturn in recent months. In addition, the CPS Group now has less reliance on the North American market, as a result of an increasing market share in South America, Asia and Africa.

The improvement in order intake trend has continued after the 31 August 2010 period end with the order book at 31 October 2010 standing at £26.8 million. However, this improvement in order intake has come later than CPS would have ideally planned and tight relative to the time period left to CPS for execution of these orders.

The market sectors in which the CPS Group operates remain attractive. The short term outlook for CPS is underpinned by a strong order book, which the CPS Group expects will convert this financial year and into the next.

CPS Group revenue for the six months to 31 August 2010 was £36.5 million (2009: £38.5 million) and profit before tax was £1.7 million (2009: £3.1 million). CPS Group revenue for the year to 28 February 2010 was £72.5 million (2009: £82.0 million) and profit before tax was £4.6 million (2009: £5.6 million).

## **12. Management and employees**

Schenck Process intends to fulfil all contractual and statutory requirements pertaining to the employment of all existing management and employees of the CPS Group. Schenck Process will meet with the management and employees of the CPS Group, as soon as deemed

appropriate by the Directors of CPS, to discuss and better understand their responsibilities and career aspirations.

Whilst these plans represent Schenck Process' current intentions, Schenck Process retains the right to re-arrange the Schenck Process Group, or change its plans for the CPS Group, as Schenck Process' strategy evolves.

### **13. CPS Options**

Appropriate proposals will be made to participants in the CPS Share Option Scheme. Details of these proposals will be set out in the Scheme Document and/or in separate letters to be sent to CPS optionholders in due course.

### **14. Timetable**

It is anticipated that the Scheme Document will be posted to CPS Shareholders and (for information purposes only) to participants in the CPS Share Scheme in December 2010 (and, in any event, within 28 days of the date of this Announcement unless otherwise agreed with the Panel). It is anticipated that the Scheme and associated resolutions would be put to CPS Shareholders at the Court Meeting and the General Meeting, which are expected to be held in January.

Subject to the satisfaction or, where relevant, waiver, of all relevant conditions, and the requisite Shareholder and Court approvals being obtained, the Scheme is expected to become effective in the first quarter of 2011. In accordance with the Code, CPS Shareholders will receive the Acquisition proceeds within 14 days of the Scheme becoming effective.

### **15. CPS Shareholder meetings**

The Scheme will require approval of CPS Shareholders at the Court Meeting and the General Meeting. The Scheme Document will contain the notices of the Court Meeting and the General Meeting. The special resolution to be proposed at the General Meeting is to approve the Scheme and other related matters, including, inter alia, the reduction of CPS' share capital, amendments to the CPS Articles of Association required to implement the Scheme and the cancellation of the admission to trading of CPS Shares on AIM. The approval required at the Court Meeting is a majority in number of those CPS Shareholders present and voting, whether in person or by proxy, representing not less than three-fourths in value of the CPS Shares held by such shareholders.

The implementation of the Scheme can only take place if all of the conditions, as set out in Appendix I to this announcement, have been satisfied or, where relevant, waived. Assuming the satisfaction, or where appropriate, waiver of such conditions, the Scheme will become effective on the delivery to the Registrar of Companies in England and Wales by CPS of the Court Orders sanctioning the Scheme (and related reduction of capital) and the registration of the Court Orders. Once the Scheme becomes effective it will be binding on all holders of CPS Shares, including any holders who did not vote to approve the Scheme.

## **16. Overseas shareholders**

The implications of the Scheme for overseas shareholders may be affected by the laws of the relevant jurisdiction. Such overseas shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction. Further details in relation to overseas shareholders will be contained in the Scheme Document.

## **17. Disclosure of interests in relevant securities of CPS**

At the date of this announcement, Schenck Process does not own any of the issued share capital of CPS.

As at 30 November 2010 being the last business day prior to the date of this announcement, save for the CPS Shares which are the subject of the irrevocable undertakings summarised in paragraph 3, neither Schenck Process nor, so far as Schenck Process is aware, any person acting in concert with Schenck Process, owns or controls any CPS Shares or any securities convertible or exchangeable into CPS Shares or any rights to subscribe for or purchase the same, or holds any options (including traded options) in respect of, or has any option to acquire, any CPS Shares or has entered into any derivative referenced to CPS Shares ("**Relevant CPS Securities**") which remain outstanding, nor does any such person have any arrangement in relation to Relevant CPS Securities. For these purposes, "arrangement" includes any indemnity or option arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to Relevant CPS Securities which may be an inducement to deal or refrain from dealing in such securities, or any borrowing or lending of Relevant CPS Securities that have not been on-lent or sold.

In view of the requirement for confidentiality prior to this announcement, enquiries have not been made of certain persons who are deemed (for the purposes of the Code) to be acting in concert with Schenck Process. Details of the holdings of such persons (if any) will be included in the Scheme Document.

## **18. Cancellation of trading, compulsory acquisition and re-registration as a private company**

It is intended that the London Stock Exchange will be requested to cancel trading in CPS Shares on AIM on, or shortly after, the date on which the Scheme becomes effective.

If the Acquisition is effected by way of the Offer, it is anticipated that cancellation of listing and trading will take effect no earlier than 20 Business Days after Schenck Process has acquired or agreed to acquire 75 per cent. of the voting rights attaching to the CPS Shares.

The cancellation of admission to trading on AIM of CPS Shares would significantly reduce the liquidity and marketability of any CPS Shares not assented to the Offer at that time. If the Acquisition is effected by way of the Offer and Schenck Process receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more of the CPS Shares and

voting rights to which the Offer relates, Schenck Process intends to exercise its rights to acquire compulsorily the remaining CPS Shares in respect of which the Offer has not been accepted.

It is intended that as soon as practicable following the Scheme becoming effective (or any Offer becoming wholly unconditional) CPS will be re-registered as a private limited company.

## **19. General**

Your attention is drawn to the further information contained in the Appendices which form part of this announcement.

The full text of the conditions of the Acquisition, which will be subject to the Code, are set out in Appendix I to this announcement, which forms part of, and should be read in conjunction with, this announcement. Appendix II to this announcement provides details of the bases of calculations and sources of certain information included in this announcement. Appendix III to this announcement contains details of the irrevocable undertakings received in relation to the Acquisition. Appendix IV to this announcement contains definitions of certain terms used in this announcement. Schenck Process reserves the right to implement the Acquisition, with the written consent of CPS, by way of an Offer, in which case additional documents will be despatched to CPS Shareholders. Further details are set out in Appendix I.

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## IMPORTANT NOTICES

*This announcement does not constitute an offer or an invitation to purchase any securities. The Acquisition will be made solely by the Scheme Document which will contain the full terms and conditions of the Acquisition. Please carefully read the Scheme Document (when it becomes available) in its entirety before making a decision with respect to the Acquisition.*

*Greenhill, which is authorised and regulated by the Financial Services Authority, is acting exclusively for Schenck Process and no one else in connection with the Acquisition and will not be responsible to anyone else in connection with the Acquisition, and will not be responsible to anyone other than Schenck Process for providing the protections afforded to clients of Greenhill & Co or for providing advice in relation to the Acquisition or any other matters referred to in this document.*

*Cairn Financial Advisers, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser to CPS and no one else in connection with the Acquisition, and will not be responsible to anyone other than CPS for providing the protections afforded to clients of Cairn Financial Advisers for providing advice in relation to the Acquisition or any other matters referred to in this document.*

*PricewaterhouseCoopers, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser to CPS and no one else in connection with the Acquisition, and will not be responsible to anyone other than CPS for providing the protections afforded to clients of PricewaterhouseCoopers or for providing advice in relation to the Acquisition or any other matters referred to in this document.*

*The distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdiction. This announcement has been prepared for the purpose of complying with the Code and the information disclosed in this document may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdiction outside of England.*

### **Forward-looking statements**

*It is possible that this announcement could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. Reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Schenck Process and CPS' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.*

### **Dealing disclosure requirements**

*Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in*

*cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any paper offeror is first identified.*

*An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.*

#### **Publication on website**

*A copy of this announcement will shortly be available, subject to certain restrictions relating to persons resident in jurisdictions outside of the UK, for inspection on CPS' website at [www.clydeprocesssolutions.com](http://www.clydeprocesssolutions.com) during the course of the Acquisition.*

## APPENDIX I

### CONDITIONS AND CERTAIN FURTHER TERMS OF THE ACQUISITION

#### Part A: Conditions of the Acquisition

The Acquisition will be conditional upon the Scheme becoming unconditional and becoming effective by no later than 9 June 2011, or such later date (if any) as Schenck Process and CPS may agree and the Court may allow.

- (a) The Scheme will be conditional upon:
- (i) its approval by a majority in number representing not less than three-fourths in value of the Scheme Shareholders (or the relevant class or classes thereof, if applicable) present and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting;
  - (ii) all resolutions necessary to approve and implement the Scheme being duly passed by the requisite majority or majorities at the General Meeting of CPS or at any adjournment of that meeting;
  - (iii) the sanction of the Scheme with or without modification (but subject to any such modification being acceptable to Schenck Process and CPS) and the confirmation of the Reduction of Capital by the Court and:
    - (a) the delivery of an office copy of each of the Court Orders and of the statement of capital confirming the Reduction of Capital to the Registrar of Companies in England and Wales; and
    - (b) the registration of the Court Order effecting the Reduction of Capital by the Registrar of Companies in England and Wales.

In addition, Schenck Process and CPS have agreed that the Acquisition will be conditional upon the following conditions and, accordingly, the necessary actions to make the Scheme effective will not be taken unless the following conditions (as amended if appropriate) have been satisfied or, where relevant, waived:

- (b) insofar as the Acquisition triggers a merger control notification duty to any national competition authorities in Austria, the national competition authorities in Austria, after the initial review period indicating, in terms satisfactory to Schenck Process, that they do not intend to initiate an in-depth investigation under the applicable national competition laws in respect of the proposed acquisition of CPS by Schenck Process (or being deemed to have done so e.g. through the expiration of the applicable deadlines therefore) and the deadline for appealing the relevant decision having expired with no appeal having been lodged beforehand;
- (c) insofar as the Acquisition triggers a merger control notification duty to any national competition authorities in Cyprus, the national competition authorities in Cyprus, after

the initial review period indicating, in terms satisfactory to Schenck Process, that they do not intend to initiate an in-depth investigation under the applicable national competition laws in respect of the proposed acquisition of CPS by Schenck Process (or being deemed to have done so e.g. through the expiration of the applicable deadlines therefore) and the deadline for appealing the relevant decision having expired with no appeal having been lodged beforehand;

- (d) insofar as the Acquisition triggers a merger control notification duty to any national competition authorities in Russia, the national competition authorities in Russia, after the initial review period indicating, in terms satisfactory to Schenck Process either (a) that they do not intend to initiate an in-depth investigation under the applicable national competition laws in respect of the proposed acquisition of CPS by Schenck Process (or being deemed to have done so e.g. through the expiration of the applicable deadlines therefore) or (b) the applicable competition authority having issued a clearance decision in respect of the Acquisition in terms satisfactory to Schenck Process;
- (e) insofar as the Acquisition triggers a merger control notification duty to any national competition authorities in the Ukraine, the national competition authorities in the Ukraine, after the initial review period indicating, in terms satisfactory to Schenck Process, that they do not intend to initiate an in-depth investigation under the applicable national competition laws in respect of the proposed acquisition of CPS by Schenck Process (or being deemed to have done so e.g. through the expiration of the applicable deadlines therefore) and the deadline for appealing the relevant decision having expired with no appeal having been lodged beforehand;
- (f) the Office of Fair Trading in the United Kingdom indicating, in terms reasonably satisfactory to Schenck Process, that it is not the intention of the Office of Fair Trading or the appropriate Minister to refer the proposed acquisition of CPS by Schenck Process or any matter arising therefrom or related thereto to the Competition Commission and the deadline for appealing the relevant decision to the Competition Appeal Tribunal having expired with no appeal having been lodged beforehand;
- (g) save as disclosed, there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider CPS Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which in consequence of the Acquisition or the proposed acquisition of any shares or other securities in CPS or because of a change in the control or management of CPS or otherwise, could or could be reasonably expected to result in to an extent which is material in the context of the Wider CPS Group as a whole:
  - (i) any moneys borrowed by or any other indebtedness (actual or contingent) of, or grant available to any such member, being or becoming repayable or capable of being declared repayable immediately or earlier than their or its stated maturity date or repayment date or the ability of any such member to borrow moneys or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
  - (ii) any such agreement, arrangement, licence, permit or instrument or the rights, liabilities, obligations or interests of any such member thereunder being

terminated or modified or affected or any obligation or liability arising or any action being taken or arising thereunder;

- (iii) any assets or interests of any such member being or falling to be disposed of or charged (otherwise than in the ordinary course of business) or any right arising under which any such asset or interest could be required to be disposed of or charged (otherwise than in the ordinary course of business);
- (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any such member;
- (v) the rights, liabilities, obligations or interests of any such member in, or the business of any such member with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or affected;
- (vi) the value of any such member or its financial or trading position or prospects being prejudiced or adversely affected to a material extent (where such position does not relate to a change in general economic conditions and which could not reasonably have been foreseen by Schenck Process on 30 November 2010);
- (vii) any such member ceasing to be able to carry on business under any name under which it presently does so; or
- (viii) the creation of any material liability, actual or contingent, by any such member,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider CPS Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, could reasonably be expected to result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (viii) of this condition;

- (h) no government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, court, trade agency, association, institution or any other body or person whatsoever in any jurisdiction (each a "**Third Party**") having decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or enacted, made or proposed any statute, regulation, decision or order, or having taken any other steps which would or might reasonably be expected to:
  - (i) require, prevent or delay the divestiture, or materially alter the terms envisaged for any proposed divestiture by any member of the Wider Schenck Process Group or any member of the Wider CPS Group of all or any material portion of their respective businesses, assets or property or impose any limitation on the ability of any of them to conduct their respective businesses (or any of them) or to own any of their respective material assets or properties or any part thereof which, in any such case, is material in the context of the Wider Schenck Process Group or the Wider CPS Group in either case taken as a whole;

- (ii) require, prevent or delay the divestiture by any member of the Wider Schenck Process Group of any shares or other securities in CPS which is material in the context of the Wider CPS Group taken as a whole;
- (iii) impose any limitation on, or result in a delay in, the ability of any member of the Wider Schenck Process Group directly or indirectly to acquire or to hold or to exercise effectively any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in any member of the Wider CPS Group or the Wider Schenck Process Group or to exercise management control over any such member which is material in the context of the Wider CPS Group taken as a whole;
- (iv) otherwise adversely affect the business, assets, profits or prospects of any member of the Wider Schenck Process Group or of any member of the Wider CPS Group in a manner which is adverse to and material in the context of the Schenck Process Group or the CPS Group in either case taken as a whole;
- (v) make the Acquisition or its implementation or the acquisition or proposed acquisition by Schenck Process or any member of the Wider Schenck Process Group of any shares or other securities in, or control of CPS void, illegal, and/or unenforceable under the laws of any jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, delay or otherwise materially interfere with the same, or impose additional conditions or obligations with respect thereto, or otherwise challenge or interfere therewith in a manner which is material in the context of the Wider CPS Group taken as a whole;
- (vi) require any member of the Wider Schenck Process Group or the Wider CPS Group to offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Wider CPS Group or the Wider Schenck Process Group owned by any third party in a manner which is material in the context of the Wider CPS Group taken as a whole;
- (vii) impose any limitation on the ability of any member of the Wider CPS Group to co-ordinate its business, or any part of it, with the businesses of any other members which is adverse to and material in the context of the group concerned taken as a whole; or
- (viii) result in any member of the Wider CPS Group ceasing to be able to carry on business under any name under which it presently does so in a manner which is material in the context of the Wider CPS Group taken as a whole,

and all applicable waiting and other time periods during which any such Third Party could institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or any other step under the laws of any jurisdiction in respect of the Acquisition or the offer or proposed acquisition of any CPS Shares having expired, lapsed or been terminated;

- (i) all necessary filings or applications having been made by or on behalf of CPS in connection with the Acquisition and all statutory or regulatory obligations in any

jurisdiction having been complied with in all material respects in connection with the Acquisition or the offer by any member of the Wider Schenck Process Group of any shares or other securities in, or control of, CPS and, save as disclosed, all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals reasonably deemed necessary or appropriate by Schenck Process for or in respect of the Acquisition including without limitation, its implementation and financing, or the proposed acquisition of any shares or other securities in, or control of, CPS by any member of the Wider Schenck Process Group having been obtained in terms and in a form reasonably satisfactory to Schenck Process from all appropriate Third Parties or persons with whom any member of the Wider CPS Group has entered into material contractual arrangements and all such authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals together with all material authorisations orders, recognitions, grants, licences, confirmations, clearances, permissions and approvals necessary or appropriate to carry on the business of any member of the Wider CPS Group which is material in the context of the CPS Group as a whole remaining in full force and effect and all filings necessary for such purpose have been made and there being no notice or intimation of any intention to revoke or not to renew any of the same at the time at which the Acquisition becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;

- (j) except as announced to a Regulatory Information Service by CPS on or prior to 30 November 2010 and except as disclosed, no member of the Wider CPS Group having, since 28 February 2010:
  - (i) save as between CPS and wholly-owned subsidiaries of CPS or for CPS Shares issued pursuant to the exercise of options granted under the CPS Share Option Schemes, issued, authorised or proposed to shareholders the issue of additional shares of any class;
  - (ii) save as between CPS and wholly-owned subsidiaries of CPS or for the grant of options under the CPS Share Option Schemes, issued or agreed to issue, authorised or proposed the issue of securities convertible into shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;
  - (iii) other than to another member of the CPS Group, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution whether payable in cash or otherwise;
  - (iv) save for intra-CPS Group transactions, merged or demerged with any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any asset (including shares and trade investments) or authorised or proposed or announced any intention to propose any merger, demerger, acquisition or disposal, transfer, mortgage, charge or security interest, in each case, other than in the ordinary course of business;

- (v) save for intra-CPS Group transactions, made or authorised or proposed or announced an intention to propose any change in its loan capital;
- (vi) issued, authorised or proposed the issue of any debentures or (save for intra-CPS Group transactions), save in the ordinary course of business, incurred or increased any indebtedness or become subject to any contingent liability;
- (vii) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect to the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital;
- (viii) implemented, or authorised, proposed or announced its intention to implement, any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement otherwise than in the ordinary course of business or entered into or changed the terms of any contract with any director or senior executive;
- (ix) entered into or varied or authorised, proposed or announced its intention to enter into or vary any contract, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which is or could be materially restrictive on the businesses of any member of the Wider CPS Group or which involves or could involve an obligation of such a nature or magnitude or which is other than in the ordinary course of business and which is material in the context of the Wider CPS Group taken as a whole;
- (x) (other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or received notice of any legal proceedings started or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or had any such person appointed;
- (xi) entered into any contract, transaction or arrangement which would be restrictive on the business of any member of the Wider CPS Group other than to a nature and extent which is normal in the context of the business concerned;
- (xii) waived or compromised any claim otherwise than in the ordinary course of business;
- (xiii) entered into any contract, commitment, arrangement or agreement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or to propose to, effect any of the transactions, matters or events referred to in this condition;
- (xiv) having made or agreed or consented to any change to:

- (1) the terms of the trust deeds constituting the pension scheme(s) established by any member of the Wider CPS Group for its directors, employees or their dependents;
  - (2) the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder;
  - (3) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined;
  - (4) the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued or made; or
- (xv) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider CPS Group,

and, for the purposes of paragraphs (iii),(iv), (v) and (vi) of this condition, the term "CPS Group" shall mean CPS and its wholly-owned subsidiaries;

- (k) except as disclosed in the accounts for the year then ended 28 February 2010, or announced to a Regulatory Information Service by CPS prior to 30 November 2010, or where not material in the context of the Wider CPS Group taken as a whole and except as otherwise disclosed, since 28 February 2010:
- (i) no material adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects of any member of the Wider CPS Group (where such position does not relate to a change in general economic conditions and which could not reasonably have been foreseen by Schenck Process on 30 November 2010);
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider CPS Group is or is reasonably likely to become a party (whether as a plaintiff, defendant or otherwise) and no investigation by any Third Party against or in respect of any member of the Wider CPS Group having been instituted announced or threatened by or against or remaining outstanding in respect of any member of the Wider CPS Group which in any such case might reasonably be expected to adversely affect the Wider CPS Group taken as a whole;
  - (iii) no contingent or other liability having arisen which would be reasonably likely to adversely affect the Wider CPS Group taken as a whole; and
  - (iv) no steps having been taken which are reasonably likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider CPS Group which is necessary for the proper carrying on of its business and which is reasonably likely to be material in the context of the Wider CPS Group taken as a whole;

- (l) save as announced to a Regulatory Information Service by CPS prior to 6.00pm on 30 November 2010 or as otherwise disclosed prior to that date, Schenck Process not having discovered:
- (i) that any financial, business or other information concerning the Wider CPS Group as contained in the information publicly disclosed at any time by or on behalf of any member of the Wider CPS Group is materially misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make that information not misleading;
  - (ii) that any member of the Wider CPS Group partnership, company or other entity in which any member of the Wider CPS Group has a significant economic interest and which is not a subsidiary undertaking of CPS is subject to any liability (contingent or otherwise) which is not disclosed in the annual report and accounts of CPS for the year ended 28 February 2010 in each case, where the same is material in the context of the Wider CPS Group taken as a whole;
- (m) save as announced to a Regulatory Information Service by CPS prior to 6:00 p.m. on 30 November 2010 or as otherwise disclosed prior to that date, Schenck Process not having discovered that:
- (i) any past or present member of the Wider CPS Group has failed to comply with any and/or all applicable legislation or regulation, of any jurisdiction with regard to the disposal, spillage, release, discharge, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health or animal health or otherwise relating to environmental matters, or that there has otherwise been any such disposal, spillage, release, discharge, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation or regulations, and wherever the same may have taken place) any of which disposal, spillage, release, discharge, leak or emission would be likely to give rise to any liability (actual or contingent) on the part of any member of the Wider CPS Group and which is material in the context of the Wider CPS Group taken as a whole; or
  - (ii) there is, or is likely to be, for that or any other reason whatsoever, any liability (actual or contingent) of any past or present member of the Wider CPS Group to make good, repair, reinstate or clean up any property or any controlled waters now or previously owned, occupied, operated or made use of or controlled by any such past or present member of the Wider CPS Group, under any environmental legislation, regulation, notice, circular or order of any government, governmental, quasi-governmental, state or local government, supranational, statutory or other regulatory body, agency, court, association or any other person or body in any jurisdiction and which is material in the context of the Wider CPS Group taken as a whole.

For the purposes of these Conditions the "Wider CPS Group" means CPS and its subsidiaries and subsidiary undertakings and any other undertaking in which CPS and/or such undertakings (aggregating their interests) have a significant interest and the "Wider Schenck Process Group" means Schenck Process and its subsidiaries and

subsidiary undertakings and any other undertaking in which Schenck Process and/or such undertakings (aggregating their interests) have a significant interest and for these purposes “subsidiaries”, “subsidiary undertaking” and “undertaking” have the meanings given by the Companies Act 2006 and “significant interest” means a direct or indirect interest in ten per cent. or more of the equity share capital (as defined in the Companies Act 2006).

For the purpose of these Conditions, “disclosed” means fairly disclosed in:

- (i) any of the documents made available as at 6.00 p.m. on 30 November 2010 in respect of the proposed Acquisition in the electronic data room made available to Schenck Process in connection with the Acquisition;
- (ii) any other information delivered to an Information Recipient in respect of the Acquisition by or on behalf of CPS on or before 6.00 p.m. on 30 November 2010,

and “Information Recipient” means any director or employee of any member of the Schenck Process Group and/or any professional advisers engaged by, or funders of, any member of the Schenck Process Group in connection with the Acquisition.

Schenck Process reserves the right to waive, in whole or in part, all or any of conditions (a) to (m) above, except for condition (a).

Schenck Process shall be under no obligation to waive or treat as satisfied any of conditions (b) to (m) (inclusive) by a date earlier than the latest date specified above for the satisfaction thereof, notwithstanding that the other conditions of the offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment.

Schenck Process may elect, at any time and in its absolute discretion (subject to Panel consent, if required) to substitute any other majority - amend member of the Schenck Process Group as offeror in relation to the Acquisition.

If Schenck Process is required by the Panel to make an offer for CPS Shares under the provisions of Rule 9 of the Code, Schenck Process may make such alterations to any of the above conditions as are necessary to comply with the provisions of that Rule.

Schenck Process reserves the right to elect (with the consent of the Panel) to implement the Acquisition by way of a takeover offer (as defined in Part 28 of the Companies Act 2006) as it may determine in its absolute discretion. In such event, such offer will be implemented on the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments to reflect the change in method of effecting the Acquisition, including (without limitation and subject to the consent of the Panel) an acceptance condition set at 90 per cent. (or such lesser percentage, being more than 50 per cent., as Schenck Process may decide): (i) in nominal value of the shares to which such offer relates; (ii) of the voting rights attached to those shares; and (iii) of the voting rights normally exercisable at a general meeting of CPS, including, for this purpose, any such voting rights attaching to CPS Shares that

are unconditionally allotted or issued before the takeover offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.

If Schenck Process elects (with the consent of the Panel) to implement the Acquisition by way of Offer, the Offer will not be subject to condition (a) above.

This Acquisition will be governed by English law and be subject to the jurisdiction of the English courts, to the conditions set out below and in the formal Scheme Document and to the applicable rules and regulations of the Financial Services Authority and the London Stock Exchange and the Code.

**Part B: Certain further terms of the Offer**

In the event that the Acquisition is to be implemented by way of the Offer, CPS Shares which will be acquired under the Offer will be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including voting rights and, save as otherwise stated in this announcement, the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date of this announcement.

**APPENDIX II****SOURCES OF INFORMATION AND BASES OF CALCULATION**

In this announcement:

1. Unless otherwise stated:
  - financial information relating to the Schenck Process Group has been extracted or derived (without any adjustment) from the Schenck Process Group's statutory accounts ; and
  - financial information relating to the CPS Group has been extracted or derived (without any adjustment) from the audited annual report and accounts for CPS for the year ended 28 February 2010 and CPS' interim results for the six months ended 31 August 2010.
2. The value of the Offer is calculated on the basis of the fully diluted number of CPS Shares in issue referred to in paragraph 4 below.
3. As at the close of business on 30 November 2010, being the last business day prior to the date of this announcement, CPS had in issue 40,376,710 CPS Shares. The International Securities Identification Number for CPS Shares is GB00B1TSKR82.
4. The fully diluted share capital of CPS (being 42,431,710 CPS Shares) is calculated on the basis of:
  - the number of issued CPS Shares referred to in paragraph 3 above; and
  - any further CPS Shares which may be issued on or after the date of this announcement on the exercise of options or vesting of awards under the CPS Share Schemes, amounting in aggregate to 2,055,000 CPS Shares.
5. Unless otherwise stated, all prices and closing prices for CPS Shares are closing middle market quotations derived from the AIM Appendix to the London Stock Exchange Daily Official List (SEDOL).
6. The premium calculations to the price per CPS Share have been calculated by reference to a price of 72.5 pence per CPS Share, being the closing price on 30 November 2010, the last business day prior to the date of this announcement.
7. The average closing price per CPS Share of 62.1 pence over the 90 day period respectively ended 30 November 2010 is derived from data provided by Factset.
8. The EBITDA multiple calculation has been calculated by reference to the EBITDA of CPS for the 6 month period ended 28 February 2010 of £3.2 million plus the EBITDA of CPS for the 6 month period ended 31 August 2010 of £3.3 million (giving an EBITDA of £6.6 million for the 12 month period ended 31 August 2010) and the enterprise value of the Acquisition of £63.3 million. The enterprise value is calculated as the sum of the

fully diluted equity value of £35.0 million, net debt as at 31 August 2010 of £29.2 million (including pension deficit) and option proceeds of £0.9 million.

### APPENDIX III

#### IRREVOCABLE UNDERTAKINGS

Certain of the Directors of CPS and/or certain of their connected persons, and Atorka have delivered an undertaking to Schenck Process pursuant to which each has irrevocably undertaken to vote in favour of the Scheme (or, if applicable to accept the Offer) in respect of CPS Shares held by them and, in certain cases, by their connected persons in respect of their entire beneficial holdings which amount, in aggregate, to 19,025,267 CPS Shares, representing approximately 47.1 per cent. of the existing issued share capital of CPS. These undertakings will continue to be binding even if a competing offer is made for CPS which exceeds the value of the Acquisition and even if such higher offer is recommended for acceptance by the Board of CPS. However, these undertakings shall cease to be binding if the Scheme or Offer lapses or is withdrawn.

The following table shows the number of CPS Shares in which certain of the CPS Directors and, in certain cases, their connected persons had an interest on the date of the irrevocable undertaking given by him, and in respect of which an irrevocable undertaking was given:

| <b>Name</b>         | <b>Number of CPS Shares</b> | <b>Percentage of issued share capital of CPS</b> |
|---------------------|-----------------------------|--|
| Jim McColl          | 6,571,293                   | 16.27  |
| Alex Stewart        | 2,565,284                   | 6.35   |
| John Hall           | 60,133                      | 0.15   |
| Ian Lee             | 30,000                      | 0.07   |
| Geir A Gunnlaugsson | 20,000                      | 0.05   |

The following table shows the number of CPS Shares which Atorka had an interest on the date of the irrevocable undertaking given by it, and in respect of which an irrevocable undertaking was given:

| <b>Name</b> | <b>Number of CPS Shares</b> | <b>Percentage of issued share capital of CPS</b> |
|-------------|-----------------------------|--|
| Atorka      | 9,778,557                   | 24.22 per cent.                                  |

In addition, Schenck Process has received an irrevocable undertaking to vote in favour of the Scheme (or, if applicable to accept the Offer) from Uberior in respect of 2,838,304 CPS Shares, representing approximately 7.0 per cent. of the existing issued share capital of CPS. This undertaking will cease to be binding if :

- (a) the directors of CPS have not, prior to the date of this announcement, given irrevocable undertakings on the basis described above;

- (b) any third party shall in accordance with the Code announce a firm intention to make a general offer for all shares in CPS (not already owned by such third party):
- (i) which represents an improvement of at least 10 per cent. per share over the value of the consideration available under the Acquisition; and
- (ii) Schenck Process fails to announce, at or prior to 11:59 p.m. on the seventh business day after such higher offer is announced, a revision to the terms of the Acquisition which represents an improvement to the consideration per share available under such higher offer;
- (c) neither a Scheme Document nor an Offer Document has been posted to the CPS Shareholders prior to 29 December 2010 (or such later date as may be agreed with the Panel);
- (d) (if the Acquisition is implemented by way of Scheme) the Scheme lapses, is withdrawn or otherwise does not become effective in accordance with its terms, and Schenck Process has not, within fourteen days of such event, elected to implement the Acquisition by means of the Offer;
- (e) (if the Acquisition is implemented by way of Offer) the Offer lapses or is withdrawn; or
- (f) the Acquisition has not closed (or, if applicable, become effective) before 9 June 2011.

The following table shows the number of CPS Shares in which Uberior has an interest on the date of the irrevocable undertaking given by him or her, and in respect of which an irrevocable undertaking was given:

| <b>Name</b> | <b>Number of CPS Shares</b> | <b>Percentage of issued share capital of CPS</b> |
|-------------|-----------------------------|--|
| Uberior     | 2,838,304                   | 7.03 per cent.                                   |

**APPENDIX IV****DEFINITIONS**

The following definitions apply throughout this announcement unless the context requires otherwise.

|                                 |  |
|---------------------------------|--|
| <b>Act</b>                      | the Companies Act 2006 and where any specific provision of the Companies Act 1985 is referred to, this will include, where relevant, any equivalent provision of the Companies Act 2006  |
| <b>Acquisition</b>              | the proposed acquisition by Schenck Process of the entire issued and to be issued share capital of CPS to be implemented by way of the Scheme, or if Schenck Process so determines in its absolute discretion, by means of the Offer |
| <b>AIM</b>                      | the Alternative Investment Market, a market operated by the London Stock Exchange  |
| <b>Atorka</b>                   | Atorka Group   |
| <b>Board</b>                    | as the context requires, the board of directors of CPS or the board of directors of Schenck Process and the terms 'CPS Board' and 'Schenck Process Board' shall be construed accordingly   |
| <b>Business Day</b>             | any day (other than a public holiday, Saturday or Sunday) on which clearing banks in London are open for normal business   |
| <b>Cairn Financial Advisers</b> | Cairn Financial Advisers LLP   |
| <b>Closing Price</b>            | the closing middle market quotation of an CPS Share as derived from the Daily Official List of the London Stock Exchange   |
| <b>CPS</b>                      | Clyde Process Solutions plc  |
| <b>CPS Group</b>                | CPS and its subsidiaries and subsidiary undertakings   |
| <b>CPS Optionholders</b>        | holders of CPS Options   |
| <b>CPS Options</b>              | options under the CPS Share Option Scheme  |
| <b>CPS Share Option Scheme</b>  | the CPS Long Term Incentive Plan   |
| <b>CPS Shareholders</b>         | registered holders of CPS Shares   |
| <b>CPS Shares</b>               | ordinary shares of 25 pence in the capital of CPS  |

|                               |   |
|-------------------------------|---|
| <b>Code</b>                   | The City Code on Takeovers and Mergers  |
| <b>Court</b>                  | the High Court of Justice in England and Wales  |
| <b>Court Meeting</b>          | the meeting of Scheme Shareholders (and any adjournment thereof) to be convened pursuant to an order of the Court pursuant to Part 26 of the Act for the purpose of considering the Scheme and, if thought fit, approving the Scheme (with or without amendment)        |
| <b>Court Orders</b>           | the First Court Order and the Second Court Order  |
| <b>Directors</b>              | the directors of CPS or the directors of Schenck Process at the date of this document, as the context so requires and the terms 'Directors of CPS' or 'CPS Directors', or 'Directors of 'Schenck Process' or 'Schenck Process Directors' shall be construed accordingly |
| <b>EBITDA</b>                 | earnings before interest, taxation, depreciation and amortisation   |
| <b>EEA</b>                    | the European Economic Area  |
| <b>First Court Order</b>      | the order of the Court sanctioning the Scheme under Part 26 of the Act  |
| <b>General Meeting</b>        | the general meeting of CPS Shareholders to be convened by the notice to be set out at the end of the Scheme Document, including any adjournment thereof   |
| <b>Greenhill</b>              | Greenhill & Co Europe LLP   |
| <b>Hearing Date</b>           | the date on which the Court sanctions the Scheme  |
| <b>London Stock Exchange</b>  | London Stock Exchange plc   |
| <b>Offer</b>                  | should Schenck Process so elect, a takeover offer to be made by or on behalf of Schenck Process and, where the context so requires, any subsequent revision, variation, extension, or renewal of such Offer   |
| <b>Panel</b>                  | The Panel on Takeovers and Mergers  |
| <b>PricewaterhouseCoopers</b> | PricewaterhouseCoopers LLP, a limited liability partnership registered in England with registered number OC303525, acting in its capacity as financial adviser to CPS   |
| <b>Reduction of Capital</b>   | the proposed reduction of share capital of CPS pursuant to  |

|                                       |  |
|---------------------------------------|--|
|                                       | the Scheme   |
| <b>Regulatory Information Service</b> | the Regulatory Information Service operated by the London Stock Exchange   |
| <b>Scheme</b>                         | the proposed scheme of arrangement under Part 26 of the Act between CPS and the Scheme Shareholders, as will be set out in the Scheme Document, with or subject to any modification thereof, addition thereto or condition which CPS and Schenck Process may agree and, if required, which the Court may think fit to approve or impose  |
| <b>Scheme Document</b>                | the document to be published and sent to CPS Shareholders containing the notices of the two Shareholder Meetings and further information containing the Scheme   |
| <b>Scheme Effective Date</b>          | the date on which the Scheme becomes effective in accordance with its terms  |
| <b>Scheme Record Time</b>             | 6:00 p.m. on the business day immediately preceding the Hearing Date   |
| <b>Scheme Resolutions</b>             | the resolutions to be proposed at the Court Meeting and the special resolutions to be proposed at the General Meeting  |
| <b>Scheme Shareholders</b>            | the holders of Scheme Shares   |
| <b>Scheme Shares</b>                  | CPS Shares <ul style="list-style-type: none"> <li>(i) in issue at the date of the Scheme Document;</li> <li>(ii) (if any) issued after the date of the Scheme Document and prior to the Voting Record Time; and</li> <li>(iii) (if any) issued at or after the Voting Record Time and before the Scheme Record Time on terms that the original or subsequent holder thereof shall be, or shall have agreed in writing by such time to be, bound by the Scheme,</li> </ul> <p>save for any CPS Shares held by Schenck Process (or its nominees)</p> |
| <b>Schenck Process</b>                | S-Process Equipment International S.á r.l which is incorporated under the laws of Luxembourg and, should Schenck Process elect to substitute any other majority owned member of the Schenck Process Group as offeror in relation to the Acquisition, any reference in this document to "Schenck Process" shall be construed so as to mean S-Process  |

|                                     |  |
|-------------------------------------|--|
|                                     | Equipment International S.á r.l and such substitute offeror.   |
| <b>Schenck Process Group</b>        | Schenck Process and its subsidiaries, subsidiary undertakings, and associated undertakings   |
| <b>Second Court Order</b>           | the order of the Court confirming the Reduction of Capital   |
| <b>Substantial interest</b>         | a direct or indirect interest in 20 per cent. or more of the voting or equity capital (or equivalent) of an undertaking  |
| <b>Third Party Announcement</b>     | an announcement (a) made by a third party, which is not acting in concert with Schenck Process, of an intention to make an offer (whether or not subject to pre-conditions and whether by takeover offer or scheme of arrangement) for the entire issued share capital of CPS, pursuant to Rule 2.5 of the Code or (b) of any other proposal by CPS or to CPS shareholders, which involves, in any such case, a change of control of CPS (other than any such acquisition of control by Schenck Process and/or a person acting in concert with Schenck Process) or which involves the disposal of any interest in a substantial part of the business of CPS. |
| <b>Third Party Transaction</b>      | the offer or proposal referred to in a Third Party Announcement  |
| <b>Uberior</b>                      | Uberior Equity Limited   |
| <b>UK or United Kingdom</b>         | the United Kingdom of Great Britain and Northern Ireland (and its dependent territories)   |
| <b>UK Listing Authority or UKLA</b> | the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000  |
| <b>Voting Record Time</b>           | 48 hours prior to the time of the Court Meeting  |

The terms 'subsidiary undertaking' and 'undertaking' have the meanings given by the Act, 'associated undertaking' has the meaning given by paragraph 19 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 other than paragraph 19(1)(b) of Schedule 6 to those Regulations which shall be excluded for this purpose, and 'significant interest' means a direct or indirect interest in ten per cent. or more of the equity share capital (as defined in the Companies Act 2006).

All references to time in this document are to London time.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.