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OFFERING MEMORANDUM

SPCM SA

$700,000,000 Senior Notes
(comprised of $350,000,000 3.125% Senior Notes due 2027 and $350,000,000 3.375% Senior Notes due 2030)

SPCM SA (formerly S.P.C.M. SA), a company incorporated under the laws of France (the "**Issuer**"), is offering $700,000,000 aggregate principal amount of Senior Notes, comprised of $350,000,000 aggregate principal amount of its 3.125% Senior Notes due 2027 (the "**Senior Notes due 2027**") and $350,000,000 aggregate principal amount of its 3.375% Senior Notes due 2030 (the "**Senior Notes due 2030**" and, together with the Senior Notes due 2027, the "**Notes**"). The Notes will be issued under an indenture (the "**Indenture**") to be dated on or about September 20, 2021 (the "**Issue Date**").

The Senior Notes due 2027 will mature on March 15, 2027. The Issuer will pay interest on the Senior Notes due 2027 semi-annually in arrears on each March 15 and September 15, commencing on March 15, 2022, to holders of record on the immediately preceding March 1 and September 1, at a rate of 3.125% per annum. At any time prior to March 15, 2024, the Issuer may redeem some or all of the Senior Notes due 2027 at a price equal to 100% of the principal amount of the Senior Notes due 2027 redeemed, plus accrued and unpaid interest (if any), plus a "make-whole" premium described in this Offering Memorandum. After March 15, 2024, the Issuer may redeem all or part of the Senior Notes due 2027 at the redemption price set forth in this Offering Memorandum. In addition, at any time prior to March 15, 2024, the Issuer may redeem up to 40% of the Senior Notes due 2027 from the proceeds of certain equity offerings at a redemption price equal to 103.125%, plus accrued and unpaid interest.

The Senior Notes due 2030 will mature on March 15, 2030. The Issuer will pay interest on the Senior Notes due 2030 semi-annually in arrears on each March 15 and September 15, commencing on March 15, 2022, to holders of record on the immediately preceding March 1 and September 1, at a rate of 3.375% per annum. At any time prior to March 15, 2025 the Issuer may redeem some or all of the Senior Notes due 2030 at a price equal to 100% of the principal amount of the Senior Notes due 2030 redeemed, plus accrued and unpaid interest (if any), plus a "make-whole" premium described in this Offering Memorandum. After March 15, 2025, the Issuer may redeem all or part of the Senior Notes due 2030 at the redemption price set forth in this Offering Memorandum. In addition, at any time prior to March 15, 2025, the Issuer may redeem up to 40% of the Senior Notes due 2027 from the proceeds of certain equity offerings at a redemption price equal to 103.375%, plus accrued and unpaid interest.

Upon the occurrence of certain changes in applicable tax law, the Issuer may redeem all of the Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any. Upon the occurrence of certain change of control events described in this Offering Memorandum, the Issuer must offer to repurchase the Notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest and additional amounts, if any. Following the sale of certain of the Issuer's assets, the Issuer must offer to repurchase the Notes with the proceeds therefrom at a purchase price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any. See "*Description of Notes*."

The Notes will be the general unsecured obligations of the Issuer, will rank *pari passu* in right of payment with all existing and future senior unsecured debt of the Issuer and senior in right of payment to any of the Issuer's future subordinated indebtedness and will be effectively subordinated to the Issuer's secured indebtedness and structurally subordinated to the debt and liabilities of the Issuer's subsidiaries. As of June 30, 2021, after giving effect to the issuance of the Notes and use of proceeds thereof, the Issuer would have had approximately €5.6 million of secured indebtedness excluding capital leases outstanding on a standalone basis and the Issuer's subsidiaries would have had approximately €16.2 million of third-party indebtedness outstanding, excluding the impact of IFRS 16 and capitalized financing costs.

Neither the Securities and Exchange Commission (the "SEC") nor any other federal or state agency has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

This Offering Memorandum includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions.

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market.

Delivery of the Notes was made on September 20, 2021.

The Notes will be issued in denominations of $200,000 or integral multiples of $1,000 in excess thereof. On the closing date of the offering, global notes representing the Notes will be deposited and registered in the name of a nominee of The Depository Trust Company. We expect the Notes to be delivered to the Initial Purchasers (as defined herein) on or about the Issue Date against payment therefor in immediately available funds.

You should carefully consider the risk factors beginning on page 16 before investing in the Notes.

Offering Price of the Senior Notes due 2027: 100.000% plus accrued interest from the Issue Date
Offering Price of the Senior Notes due 2030: 100.000% plus accrued interest from the Issue Date

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The Issuer has not registered and will not register the Notes under the U.S. federal securities laws or the laws of any other jurisdiction. The Initial Purchasers are offering the Notes only to: (i) "qualified institutional buyers" in reliance on Rule 144A of the U.S. Securities Act of 1933, as amended (the "**Securities Act**"); and (ii) to non-U.S. Persons outside the United States in reliance on Regulation S under the Securities Act. See "*Notice to Investors*" and "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

This Offering Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 16, 2019.

Joint Physical Bookrunners

BofA Securities **BNP PARIBAS**

Co-managers

Crédit Agricole CIB **Natixis** **Société Générale**

The date of this Offering Memorandum is November 25, 2021

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This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the notes offered hereby (the "**Notes**") in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. We and the initial purchasers of the Notes (the "**Initial Purchasers**") are not making any representation to you regarding the legality of an investment in the Notes and are not responsible for your compliance with these legal requirements. See also "*Transfer Restrictions*."

You should base your decision to invest in the Notes offered hereby solely on information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with different information. In addition, neither we nor the Initial Purchasers nor any of our or their respective representatives are providing you with any legal, business, tax or other advice in this Offering Memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes offered hereby.

By accepting delivery of this Offering Memorandum, you agree to the foregoing restrictions, to make no photocopies of this Offering Memorandum or any documents referred to herein and not to use any information herein for any purpose other than considering an investment in the Notes offered hereby.

We accept responsibility for the information contained in this Offering Memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this Offering Memorandum with regard to us, our subsidiaries and our affiliates and the Notes offered hereby is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that we are not aware of any other facts the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form*" is subject to any change in or reinterpretation of the rules, regulations and procedures of The Depository Trust Company ("DTC") currently in effect.

We will not, nor will any of our agents, have responsibility for the performance of the obligations of DTC or its participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us.

The Initial Purchasers, the Trustee and any other agents acting with respect to the Notes offered hereby accept no responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set out in this Offering Memorandum and nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers, the Trustee, or any other agents acting with respect to the Notes offered hereby as to the past or the future.

By purchasing the Notes offered hereby, you will be deemed to have acknowledged that you have reviewed this Offering Memorandum and have had an opportunity to request, and have received, all additional information that you need from us. No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers.

The information contained in this Offering Memorandum is as of the date hereof. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes offered hereby shall, under any circumstances, create an implication that there has been no change in the information set out in this Offering Memorandum or in our business since the date of this Offering Memorandum. We undertake no obligation to update this Offering Memorandum or any information contained in it, whether as a result of new information, future events or otherwise, except to the extent required by law.

The Notes offered hereby have not been and will not be registered under the Securities Act or the securities laws of any state of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

In the United States, the offering of the Notes is being made only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act). Prospective purchasers that are qualified institutional buyers are hereby notified that the Initial Purchasers of the Notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside of the United States, the Offering of the Notes is being made in reliance on Regulation S under the Securities Act.

Neither the SEC, any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The Notes offered hereby are subject to restrictions on transferability and resale, which are described under the caption "*Transfer Restrictions*." By possessing this Offering Memorandum or purchasing any Note, you will be deemed to have represented and agreed to all of the provisions contained in that section of this Offering Memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

We reserve the right to withdraw this offering of the Notes at any time. We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by it. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

We cannot guarantee that our application to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange will be approved as of the settlement date for the Notes or at any time then after, and settlement of the Notes is not conditioned on obtaining this listing.

We expect that delivery of the Notes will be made against payment therefor on the Issue Date, which will be seven business days following the pricing date of the offering (this settlement cycle being referred to as "T+7"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are generally required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the second business day preceding the Settlement Date will be required, by virtue of the fact that the Notes initially will settle on a delayed basis, to agree to a delayed settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own advisors.

This Offering Memorandum may be used only for the purposes for which it has been published.

STABILIZATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE INITIAL PURCHASERS (OR PERSONS ACTING ON BEHALF OF THE INITIAL PURCHASERS) MAY OVERALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE INITIAL PURCHASERS (OR PERSONS ACTING ON BEHALF OF THE INITIAL PURCHASERS) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

THE NOTES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY ANY NOTES TO THE PUBLIC.

NOTICE TO INVESTORS

Notice to Prospective Investors in the European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to produce a prospectus for offers of the Notes. In relation to each Member State, no offer of Notes to the public in that Member State may be made other than:

(a) to any legal entity which is a Qualified Investor;

(b) to fewer than 150 natural or legal persons other than a Qualified Investor; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes shall require us or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

For the purposes of this section, the expression an "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of BofA Securities, Inc. (the "**Manufacturer**") and the other Initial Purchasers, the Manufacturer's product approval process, the target market assessment in respect of the Notes described in this Offering Memorandum has led to the conclusion that (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"), and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such Notes (a "**distributor**") should take into consideration the Manufacturer's target market assessment; however, and without prejudice to the obligations of the Issuer in accordance with MiFID II, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the Manufacturer's target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a Qualified Investor. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (as amended, the "UK PRIIPs Regulation") for offering or selling the debt securities described in the Offering Memorandum or otherwise making them available to retail investors in the UK has been prepared and therefore offering or

selling such debt securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notice to Prospective Investors in the UK

The Initial Purchaser has represented and agreed that it has:

- only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

This Offering Memorandum is for distribution only to, and is directed solely at persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (iii) are persons falling within Articles 49(2)(a) to (d) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). This Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Offering Memorandum or any of its contents.

Notice to Prospective Investors in France

This Offering Memorandum has not been prepared and is not being distributed in the context of a public offering of financial securities in France (*offre au public de titres financiers*) within the meaning of the Prospectus Regulation. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and neither this Offering Memorandum nor any offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

Notwithstanding the foregoing, the Notes may only be offered or sold in France exclusively to a limited number of investors acting for their own account (*cercle restreint d'investisseurs agissant pour compte propre*) or to qualified investors (*investisseurs qualifiés*) as defined by Article 2(e) of the Prospectus Regulation. in accordance with Article L.411-2 of the French Monetary and Financial Code (*Code monétaire et financier*).

Prospective investors are informed that:

(i) this Offering Memorandum has not been and will not be submitted for clearance to the *Autorité des marchés financiers* (the "**AMF**");

(ii) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with article 5 of the Prospectus Regulation.

Investors in France and persons into whose possession offering materials come must inform themselves about, and observe, any such restrictions.

FORWARD-LOOKING STATEMENTS

Various statements contained in this Offering Memorandum constitute "forward-looking statements" as that term is defined under the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Offering Memorandum, including, without limitation, statements regarding our future financial position, strategy, anticipated investments, costs and results (including growth prospects in particular regions), plans, projects to enhance efficiency, impact of governmental regulations or actions, litigation outcomes and timetables, future capital expenditures, liquidity requirements, the successful integration of acquisitions and joint ventures into our group, and objectives of management for future operations, may be deemed to be forward-looking statements. When used in this Offering Memorandum, the words "believe," "anticipate," "should," "intend," "plan," "will," "expect," "estimates," "positioned," "strategy," "aims," "projects," "forecasts," "foresees," "seeks," "likely," "may," "might," "could," "intends," and similar expressions identify these forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward-looking statements. These factors include those set forth in the section of this Offering Memorandum captioned "*Risk Factors*" beginning on page 16, which include, among others:

- difficulties in securing the supplies of certain raw materials we use, and our ability to raise prices in response to increases in raw material prices;
- potential substitution of another product for polyacrylamide, or "PAM";
- the impact of the COVID-19 pandemic;
- the ability of our reseller and distributor customers to change suppliers;
- our ability to react to disruptions or closures of our manufacturing facilities;
- fluctuation in oil prices and, thus, demand for our oil recovery applications;
- our ability to respond to the changing needs of the markets in which we operate;
- significant competition in the markets in which we operate;
- our ability to protect our intellectual property rights;
- risks associated with our worldwide operations, including economic downturns and local business risks;
- fluctuations in currency exchange rates;
- our ability to retain key personnel and maintain good relations with our workforce;
- changes to environmental, health and safety regulations and concerns;
- climate change may affect our operations and product sales;
- operating hazards in our production facilities;
- damages based on product liability claims; and
- our substantial leverage.

The risks included here are not exhaustive. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place any undue reliance on forward-looking statements as a prediction of actual results.

We assume no obligation to update the forward-looking statements contained in this Offering Memorandum to reflect actual results, changes in assumptions or changes in factors affecting these statements.

INDUSTRY AND MARKET DATA

Information relating to markets, market size, market share, market position, growth rates, average prices and other industry data pertaining to our business contained in this Offering Memorandum consists of estimates based on data reports compiled by professional organizations and analysts, on data from other external sources, on our knowledge of our sales and markets and on our own calculations based on such information. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, thus requiring us to rely on internally developed estimates. While we have compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither we nor the Initial Purchasers have independently verified the data. Similarly, while we believe our internal estimates to be reasonable, they have not been verified by any independent sources, and we cannot assure you as to their accuracy.

PRESENTATION OF FINANCIAL INFORMATION

Financial and Other Data

The historical financial information presented in this Offering Memorandum includes (i) the audited consolidated financial statements of the Issuer and its subsidiaries as of and for the years ended December 31, 2020, 2019 and 2018 and (ii) the unaudited condensed interim consolidated financial statements of the Issuer and its subsidiaries as of and for the six months ended June 30, 2021, with comparative financial information for the six months ended June 30, 2020.

We have prepared the audited consolidated financial statements of the Issuer and its subsidiaries contained in this Offering Memorandum in accordance with International Financial Reporting Standards, IFRS, as issued by the International Accounting Standards Board (the "**IASB**") and with IFRS as adopted by the European Union, as of December 31, 2020. The unaudited interim consolidated financial statements of the Issuer and its subsidiaries as of and for the six months ended June 30, 2021, with the comparative financial information for the six months ended June 30, 2020, included herein have been prepared in accordance with IAS 34 "Interim Financial Reporting," the IFRS standard applicable to interim financial statements.

The unaudited financial information of the Issuer for the twelve months ended June 30, 2021 is calculated by taking the results of operations for the six months ended June 30, 2021, and adding it to the difference between the results of operations for the full fiscal year ended December 31, 2020 and the six months ended June 30, 2020. The financial information for the six and twelve months ended June 30, 2021 is not necessarily indicative of the results that may be expected for the fiscal year ended December 31, 2021, or any future period, and should not be used as the basis for or prediction of an annualized calculation.

This Offering Memorandum contains references to certain non-IFRS financial measures, including EBITDA and other financial ratios, each as defined by the Issuer.

We use EBITDA in our business operations to, among other things, evaluate the performance of our operations, develop budgets, and measure our performance against those budgets. We find EBITDA to be a useful tool to assist in evaluating performance because it eliminates items related to depreciation and amortization, interest expense, taxes and other non-cash charges. We define EBITDA as EBIT (Recurring operating income) plus depreciation, amortization and changes to provisions.

While the amounts included in EBITDA are derived from our consolidated financial statements, EBITDA is not a financial measure determined in accordance with IFRS and, accordingly, should not be considered as an alternative to net income or operating income as an indication of our performance or as an alternative to cash flows as a measure of our liquidity.

In addition, we believe that EBITDA is a measure commonly used by investors. However, EBITDA, as presented in this Offering Memorandum, may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information.

For consistency with our past financial disclosure, certain of the financial data included in "*Summary — Summary Historical Consolidated Financial Information*," "*Selected Historical Consolidated Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" have been reclassified from the categories that would apply under IFRS. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Basis of Presentation*."

Adoption of new accounting standards

IFRS 16

We adopted IFRS 16 (Leases) ("**IFRS 16**") on January 1, 2019 and have elected to apply this standard on a simplified retrospective basis with no restatement of the comparative information in the year of initial adoption. The application of IFRS 16 results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under IFRS 16, an asset (the right to use the leased item) and a lease liability to pay rentals are recognized. This liability is measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019. We have elected the following simplification measures: (i) calculation of the incremental borrowing rate as at first-time application, taking into account the initial term of the contract and not the

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remaining term; (ii) exclusion of leases expiring during the 12 months following first-time application; (iii) exclusion of initial direct costs from asset valuation; (iv) using information acquired after the beginning of the lease, for example in determining the duration of leases that contain renewal or termination options; (v) not carrying out impairment tests, by adjusting the value of the asset by the amount of provisions recorded in the statement of financial position immediately preceding the date of first-time application, in the case of loss-making contracts. For additional information, see Note 2.1 to our audited consolidated financial statements as of and for the year ended December 31, 2019.

The terms "we," "our," "us" refer to SPCM SA or SPCM, and all of its consolidated subsidiaries, unless the context suggests otherwise. The term "Issuer" refers to SPCM SA, alone. The term "you" generally refers to a prospective purchaser of our Notes.

References to "euro" or "€" are to the lawful currency of the European Monetary Union and references to "U.S. dollars," "dollars" or "$" are to the lawful currency of the United States. Except as otherwise set forth in this Offering Memorandum, the debt has been translated in euros at the closing exchange rate as of the applicable date. As of June 30, 2021, the exchange rate was €1.1858 to $1.00. See "*Exchange Rates*" for further information about recent fluctuations in exchange rates.

Unless otherwise indicated, this Offering Memorandum describes the structure of the Issuer and its subsidiaries as of the date of this Offering Memorandum.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and, to the extent provided to the Initial Purchasers by us, any related amendment or supplement to this Offering Memorandum. So long as the Notes offered hereby are outstanding and are "restricted securities" within the meaning of Rule 144 under the Securities Act, we have agreed in the Indenture governing the Notes offered hereby that we will, upon request, furnish to any holder or beneficial owner of the Notes the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the Notes. Any such request should be directed to us at Zac de Milieux, Rue Adrienne Bolland, 42163, Andrézieux, France, Attention: Finance Manager (telephone number +33 4 77 36 86 00).

Additionally, so long as the Notes are listed on the Luxembourg Stock Exchange, copies of these filings and other information relating to the issuance of the Notes will be available in the specified offices of The Bank of New York Mellon SA/NV, Luxembourg Branch, as the listing agent in Luxembourg (the "**Luxembourg Listing Agent**") at the address listed on the inside of the back cover of this Offering Memorandum.

You should rely only upon the information provided in this Offering Memorandum. We have not authorized anyone to provide you with different information. You should not assume that the information in this Offering Memorandum is accurate as of any date other than that on the front cover of the document.

EXCHANGE RATES

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The Bloomberg Composite Rate of the euro on September 2, 2021, was $1.1875 per €1.00.

	U.S. Dollars per €1.00			
Year	**Period End**	**Average[(1)]**	**High**	**Low**
2016	1.0866	1.1096	1.2010	1.0492
2017	1.0547	1.1069	1.1527	1.0384
2018	1.2022	1.1300	1.2026	1.0427
2019	1.1452	1.1811	1.2492	1.1245
2020	1.1229	1.1195	1.1533	1.0903
Month				
January 2021	1.2136	1.2174	1.2327	1.2077
February 2021	1.2075	1.2095	1.2175	1.1964
March 2021	1.1730	1.1900	1.2091	1.1717
April 2021	1.2020	1.1971	1.2126	1.1759
May 2021	1.2227	1.2143	1.2250	1.2005
June 2021	1.1858	1.2040	1.2213	1.1858
July 2021	1.1870	1.1825	1.1887	1.1771
August 2021	1.1809	1.1772	1.1870	1.1675
September 2021 (through September 2, 2021)	1.1839	1.1865	1.1882	1.1839

(1) The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year.

The above rates differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. Our inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent U.S. dollar amounts or that these amounts could have been converted into U.S. dollars at any particular rate, if at all.

SUMMARY

This summary highlights information about us that is contained elsewhere in this Offering Memorandum. This summary may not contain all the information that is important to you. You should read the entire Offering Memorandum carefully before making an investment decision, including the section entitled "Risk Factors" and the financial statements and related notes. Various statements in this Offering Memorandum are forward-looking statements. Please refer to the section of this Offering Memorandum entitled "Forward-Looking Statements."

Our Company

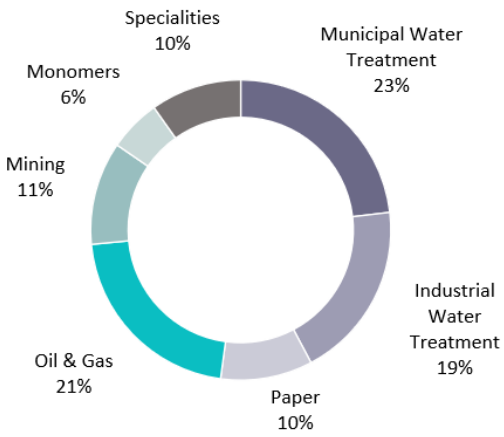
We believe we are the world's largest producer by revenue and volume of polyacrylamide, or "**PAM**," a water-soluble specialty chemical used in water treatment, oil and gas applications (including enhanced oil recovery, or "**EOR**"), mineral extraction, pulp and paper manufacturing and other industries. PAM has a broad variety of industrial and commercial uses as a flocculant, which facilitates the separation of suspended solids from water, as a viscosity modifier, which alters the thickness of liquids, and as a drag reducer, which decreases the pressure drop along a segment of pipe. In addition to PAM, of which our production accounted for an estimated 48% of the world's production capacity in 2020 and from which we generated approximately 83% of our 2020 net revenue, we also produce and sell related specialty chemicals such as coagulants, which are used primarily in water treatment, and monomers, which are a component of PAM. We also sell dispersants, which are used in the paper, household products and mining industries; mining reagents, which are used in the minerals processing industry; and equipment that facilitates the utilization of PAM. For the twelve-month period ended June 30, 2021, we had net revenue of €3,085.4 million, EBITDA of €521.5 million and income after tax of €166.4 million. For a reconciliation of EBITDA to Recurring operating income, see *"—Summary Historical Consolidated Financial Information*."

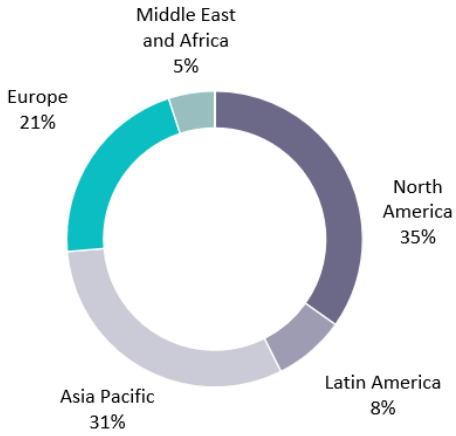
Since we were founded in 1978, we have implemented a strategy of organic growth and selective acquisitions of manufacturing operations to create an international manufacturing and sales platform that has enabled us to achieve a leading global share of our chosen markets. We benefit from large modern manufacturing facilities in France, the United States, China, India and South Korea and several smaller manufacturing facilities around the world, and from a direct sales force that reaches more than 40,000 customers, according to our estimations. We also benefit from a distribution network that consists of approximately 850 distributors and resellers around the world. We believe that our products are sold in more than 130 countries and that we reach more than 400,000 end users worldwide.

We offer a large product portfolio of approximately 1,060 product formulations tailored to address end-user requirements, which we sell to a diversified customer base across multiple industries. We estimate that our net revenue for the twelve months ended June 30, 2021 was accounted for as follows: municipal water applications (approximately 23%), industrial water treatment applications (approximately 19%), oil and gas applications (approximately 21%), mining applications (approximately 11%), pulp and paper applications (approximately 10%), other specialty applications, such as agricultural aids, construction chemicals, textile, home and personal care products, (approximately 10%), and monomer sales (approximately 6%).

Our sales were also geographically diverse and, of our net revenue for the twelve months ended June 30, 2021, 35% came from North America, 31% from Asia Pacific, 21% from Europe, 8% from Latin America and 5% from Middle East and Africa.

Net Revenue by Industry and Geography for the Twelve Months ended June 30, 2021





Source: Company/Management Information

Competitive Strengths

We believe that we have the following key strengths:

World Leader with 48% of Production Capacity

We believe we are the world's largest producer of PAM, accounting for approximately 48% of global production capacity in 2020. At our 21 facilities, we currently have the capacity to produce approximately 1,235,000 metric tons of PAM per year in active equivalent ("active equivalent" is determined based on the concentration of PAM in its different forms to reconcile its dilution in liquid, emulsion or powder in determining production and capacity). Our leading market position has allowed us to develop expertise in the research and development, production, marketing and sales of PAM that ultimately benefits a broad end user base. We are also a market leader in each of the principal regions we address, including North America, Europe/Africa and Asia-Pacific, with approximately 72%, 46% and 36% of the production capacity in such regions, respectively, as of December 31, 2020.

Attractive End-markets' Volume Growth Potential

We market and sell our products in four primary markets: water treatment, oil and gas, mining and paper industries, complemented by several other niche markets including agricultural, construction, textile and home and personal care industries, which have demonstrated stable year on year volume growth since 2014. Overall, the total volume of our end-markets grew at a CAGR of approximately 10% between 2014 and 2019.

Water treatment applications, combining municipal and industrial applications, are expected to be one of the main growth drivers of demand in the short-term. Between 2014 and 2019, municipal water treatment proved to be a stable and resilient market, and grew at a CAGR of approximately 3%. Industrial water treatment grew at a CAGR of approximately 13%. Due to greater urbanization and a rising standard of living leading to increased investment in water treatment, we now expect increased demand for PAM, as well as certain of our other water treatment products, from Eastern Europe, Asia and, to a lesser extent, South America.

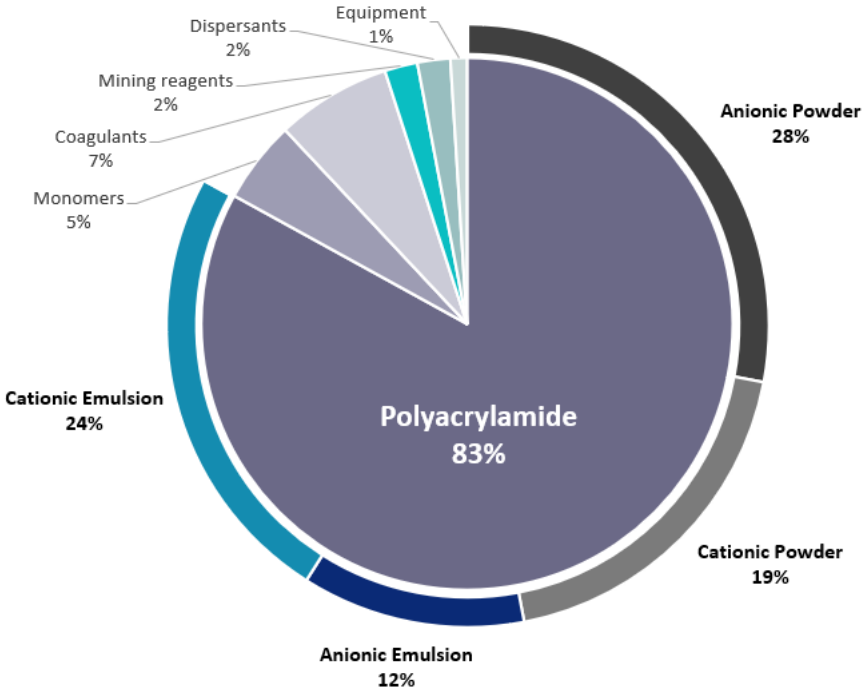
Oil and gas applications drove overall growth between 2014 and 2019, growing at a CAGR of approximately 13%. This growth accelerated between 2015 and 2019, with volumes growing at a CAGR of approximately 22% over that time period. Growth in this end-market has mainly been attributable to EOR, which enables oil companies to generate greater yields from their existing wells, and hydraulic fracturing, where our products are used as drag reducing agents. In EOR, we believe we have positioned ourselves as leader after acquiring EOR technology from Dow Chemical in 1987 and Pfizer Oil Division in 1992, developing it and improving it over the years. We believe we are now positioned to benefit from increases in demand for polymer flooding in the global EOR market with 143 ongoing EOR projects as of December 31, 2020, compared to 114 in June 2010 and 86 in December 2008, as oil producers face more stringent regulation and need to reduce CO2 emissions at their existing wells. In hydraulic fracturing, our products provide substantial benefits in reducing the energy required for oil extraction.

Both the mining and paper applications markets grew at a CAGR of approximately 9% between 2014 and 2019. In the mining application market in particular, growth was driven by investments in production lines for mining reagents, which increase the quality and amount of the ore or minerals that an end user may produce.

Large Product Portfolio Distributed Across Geographies and Industries to a Highly Diversified and Loyal Customer Base

We have a range of approximately 1,060 product formulations. These formulations take a number of different physical forms such as powders, beads, emulsions, liquids and dispersions, depending on their end use. Our products also have a number of different chemical properties (anionic, cationic, non-ionic) and a number of different molecular forms (linear, branched, cross-linked, comb, star). Our knowledge in combining these different characteristics gives us the ability to tailor our products to specific applications and the specific requirements of end users. We industrialized more than 135 new products in 2020.

2020 Sales by Products



Source: Company/Management information.

We have broadened our product range by diversifying into additional products in industries where end users require bundled products. We can provide our primary product, PAM, in connection with other products, such as coagulants, which are also used in water treatment. We have successfully employed this strategy for many end users, especially municipal and mining end users. Furthermore, for water treatment applications, we sell certain products to our resellers who have their own specialized product lines that complement ours to better serve markets such as the boiler or cooling water treatment markets.

Our business model is diversified across industries, applications, customers and geographies. We market and sell our products in four primary markets: water treatment, oil and gas, mining and paper industries, complemented by several other niche markets including agricultural, construction, textile and home and personal care industries. Our primary product, PAM, has a variety of industrial and commercial applications in these industries as a flocculant, viscosity modifier and drag reducer. We also produce a range of other products, including coagulants, monomers, dispersants, mining reagents, activated carbon, mineral coagulants and defoamers, which also support different applications across the industries we service.

Our customers represent a variety of stable consumer, municipal and industrial end markets across diverse geographies, particularly in North America, Asia Pacific and Europe. Our customers include municipalities, pulp and paper companies, oil and gas companies, mining companies and companies in several other industries that use our products for water treatment and, in the case of oil and gas and mining companies, to improve the extraction of oil and minerals. In

particular, we sell PAM and other products to numerous municipalities and major cities in Europe and North America for treatment of their water. Most of our customers have had relationships with us for a number of years, and we believe that our customer retention rate is high.

Modern and Geographically Diverse Production Capacity Combined with High R&D Focus

We have designed and built large, cost-effective and high-quality manufacturing facilities in France, the United States, South Korea, India and China that we believe are among the most modern in the industry. We have seven major plants in France, the United States, India, China, and South Korea, as well as 14 additional production sites. By having major manufacturing sites in our key markets, we are able to provide our products more quickly to our customers and end users, and have chosen sites where we will be able to expand. Additionally, our costs in any particular currency in these markets generally match the currency in which sales are realized, thereby reducing our exchange risks for these markets. Our revenues and expenses are mainly generated or incurred in US dollars, euro and Chinese yuan, which for the six months ended June 30, 2021 accounted for 49%, 19% and 14%, respectively, of our revenues, and for 39%, 19% and 20%, respectively, of our operating expenses. We have also established a standard design for our main production lines, which has enabled us to shorten construction time, to simplify maintenance across our different sites and to provide the flexibility to shift production from region to region as needed.

Our existing PAM production capacity is approximately 1,235,000 metric tons. We have a second new PAM plant in India, that has been commissioned in the first quarter of 2021. This plant is located in Gand-hidham, Gujarat and covers approximately 30 hectares. It will produce acrylamide monomer and PAM powders. The PAM will be primarily dedicated to servicing EOR and export markets for the Asian market. In addition, we are in early phases for two additional plants in Russia and France. We expect these two plants to start operation between 2023 and 2025. Additionally, we constantly assess opportunities and regularly invest in our current plants to increase our production capacity, add product lines, enhance manufacturing productivity and reduce our costs of production. See "*Business—Properties—Plants under Construction or Planning*." We have a policy of seeking out joint ventures with knowledgeable partners with particular expertise in strategic areas related to our products.

In addition to our focus on PAM production capacity, we continuously monitor technical feedback from end users to enhance and expand our product range, and we develop new production formulations by working closely with targeted end users. Our research and development spending represented 1.7% of our sales in 2020. We have three main research and development centers and ten application laboratories at which we develop and test new product formulations. Our technical experts from research and development and on-field technical support represent a group of about 200 field specialists and 385 scientists and technicians, approximately 40% of whom are located in France, with the remainder being split between the United States, China and our other field operations. We introduce more than 100 new product formulations every year and have approximately 1,305 active patents in multiple jurisdictions. Our technical know-how relates to the production of PAM and our other products and involves expertise in monomer development, the polymerization process and polymer production, as well as performance applications for our customers. We have leveraged our technical expertise and research efforts to develop our sixth generation of bacteria used for the production of monomers and our fourth generation of polymer production units, enabling significant improvements in our production capacity and efficiency across our global operations. We also work with our customers in order to develop and provide tailored applications for our products and to optimize their ability to end users.

Efficient Pass-through Pricing Policies and Broad and Flexible Distribution Channels Resulting in Strong Profitability

We sell to approximately 40,000 customers, according to our estimations, including approximately 850 distributors and resellers, and we believe that in total we reach more than 400,000 end users. In 2020, no single customer accounted for more than 3% of our net revenue, and our ten largest customers represented approximately 14% of our net revenue. In the six months ended June 30, 2021, our top ten customers accounted for approximately 17% of our net revenue, of which 62% by revenue were direct customers and 38% by revenue were service partners, and spanned the following end-markets: oil and gas applications (51% by revenue), monomer sales (31% by revenue), industrial water treatment applications (13% by revenue), and pulp and paper applications (5% by revenue).

We directly sell our products in more than 40 countries through our local subsidiaries and through our own sales team of approximately 475 salespeople. We also benefit from a global network of resellers who distribute our products in more than 130 countries. We have implemented a strategy that has enabled us to cover our market segments globally. We have established operations in three key markets: North America, Asia Pacific and Europe, with the ability to service clients directly from manufacturing sites located in each of these areas.

While we are exposed to raw material price fluctuations, including fluctuations in the price of propylene, we are able to pass such cost increases on to our customers through formula-based contracts and price lists that are regularly updated to reflect market costs of raw materials, each of which represented 33% and 44% of our sales in 2020, respectively. Fixed price

contracts are mainly used in the municipal water treatment end-market, while contracts used in our oil & gas and industrial water treatment end-markets are well balanced between price lists and formula-based contracts. Our pass-through pricing policies allow us to maintain control of our margins.

Our marketing efforts are generally tailored to customer type:

- high volume and low service end users are approached directly by our global sales team. These end users are typically required to deal directly with product manufacturers, not resellers, and include many large municipalities, as well as mining and oil companies; and
- lower volume and more specialized end users are often covered by our network of resellers, giving us access to a substantial extended global sales force. In addition, we have established strategic relationships with a number of the large service-driven resellers who provide high-end services to their customers.

We have successfully increased the share of net revenue generated by our direct sales force from an estimated 25% in 2005 to an estimated 64% in 2020, which has contributed to our enhanced profitability.

Proven Operating and Financial Track Record Supported by a Conservative Financial Policy

We have generated stable cash flow in recent years, due to both the increasing scarcity of key natural resources which has increased our sales and our various cost initiatives to improve the profitability of our existing and new plants. Between 2010 and the twelve months ended June 30, 2021, our net revenues grew at a CAGR of 7.5% and our EBITDA grew at a CAGR of 10.7%, showing a strong and resilient operational and financial track record.

Our sound investment strategy and financial policy have led to continually improved ratings in the past ten years and improved leverage and gearing ratios. As of December 31, 2020, our corporate ratings assigned by Moody's and S&P were Ba1 and BB+, respectively compared to B1 and BB- in 2010. As of June 30, 2021, our net debt to EBITDA ratio increased to 2.28x as compared with 2.03x as of December 31, 2020. As of June 30, 2021, our net debt to shareholders' equity ratio decreased to 0.67x as compared with 0.71x as of December 31, 2020.

Leading sustainability platform

We have been dedicated to sustainability and have placed significant focus on minimizing the environmental impact of our activities and reducing the footprint of all our industrial sites.

Our products address the issue of water scarcity, which is exacerbated by population growth, increasing urbanization and standards of living and more complex regulation. We aim to preserve natural resources in all our markets through water treatment, extraction of key minerals and optimization of hydrocarbon resources. More specifically, we are instrumental in water treatment for about 800,00,000 people and in cleaning and recycling water for over 10,000 industrial sites. We constantly strive to optimize our mining processes which can be potentially pivotal to the energy transition, achieving lower levels of water consumption and hydrocarbon emissions for the production of oil.

Our focus on clean water and sanitation, climate action, reasonable consumption and production and life on land, and the overall alignment of our activities with the United Nations Sustainable Development Goals ("SDGs"), has been recognized with awards, high sustainability ratings and metrics, consistently superior to our peers across the environmental Key Performance Indicators ("KPIs").

Experienced Management

We believe our experience helps us identify growth and investment opportunities in new areas, products lines and target industries in order to strengthen our leading position in the industry. We have a professional and committed management team, consisting of executives with significant experience in the chemical industry, marketing, product development and acquisitions, who are focused on successfully implementing our business strategy and have a successful track record of growing our business and enhancing our profitability. Our chief executive officer, Pascal Remy, has over 30 years of experience in the specialty chemical industry.

Business Strategy

Help Battle Water Scarcity and Preserve Natural Resources

We are focused on geographic and industry specific markets with high volume growth potential for our products driven by the increased scarcity of natural resources, especially water. Indeed, by providing products to treat water for use in both industrial and municipal application, optimize mining processes, enhance oil recovery for existing reserves and reduce

water needs for mining and oil and gas extraction processes, we prove instrumental in battling water scarcity and preserving natural resources.

In the water treatment market, which represented 44% of our sales for the twelve months ended June 30, 2021, we treat water for over 800 million people, and clean and recycle water at over 10,000 industrial sites.

In the mining market, which represented 12% of our sales for the twelve months ended June 30, 2021, our products are used for the optimization of mining processes and reduction of water needs as well as the extraction of key materials essential to the energy transition.

In the oil and gas market, which represented 20% of our sales for the twelve months ended June 30, 2021, oilfield operators using our polymers in their polymer flooding operations for EOR are able to reduce the water and CO2 needed to produce a barrel of oil. Polymer floods lead to three to six times less water and two to six times less CO2 per barrel of oil, as compared to water flooding. These reductions are primarily achieved through a more efficient sweep of oil within the reservoir, resulting in water cut reduction and, ultimately, a decrease in required pumping energy at the producers and less taxing on fluid separation equipment and processes.

In addition to our role in battling water scarcity and preserving natural resources in our end-markets, we also strive to minimize the environmental impact of our own activities and reducing our footprint on all our industrial sites. Our efforts to reduce our water consumption have allowed us to use 20% less water than we needed ten years ago to produce one ton of finished product. We constantly monitor our water consumption by installing flow meters, detecting leaks and upgrading fire circuits and are focused on finding ways to optimize our use of water by, for example, recovering rainwater and recycling water from boiler washings or condensates.

We are also committed to preserving natural resources by continuous improvement of our manufacturing sites to reduce energy needs, including through the design and purchase of energy-efficient equipment. We have developed a range of more than one thousand products that help to preserve our natural resources, promote recycling and improve the efficiency of industrial processes. Our key focus areas are aligned to the United Nations 2030 Agenda for Sustainable Development including, among others, good health and well-being, clean water and sanitation, sustainable cities and communities, responsible consumption and production and life below water. We estimate that approximately 90% of our sales align with the United Nations 2030 Agenda for Sustainable Development.

In July 2021, we obtained an A1 sustainability rating from VigeoEiris. According to the VigeoEiris report, we display a strong willingness and capacity to integrate environment, social and governance factors into our strategy (receiving a score of 63 in "Environmental," compared to the sector average of 43 and 69 in "Social," compared to the sector average of 43), operations and risk management, with robust results on managing risks related to human capital and legal security.

Maintain our Chemical and Engineering Technical Leadership

We believe that our technical capabilities in the applications for PAM result from our knowledge of the needs of end users and from our ability to continually adapt our product range to provide innovative solutions to our customers. We have also continued to develop specific products for value-added resellers. Some of our most innovative resellers are also focusing on niche markets for our products that could represent potential new markets. We are supporting these needs, so long as we stay within our core chemical and manufacturing competencies and address the needs of our customers and we constantly seek to improve the quality of our products.

Reinvest Cash Flow in Operations

We have historically invested a significant majority of our cash flow from operations back into our business in order to increase our production capacity, improve the quality of our operations, and make investments in existing projects and new strategies, such as our EOR business. We have a history of very low dividend distribution, and we plan to follow this pattern in the future.

Focus on Low Cost Production Advantages

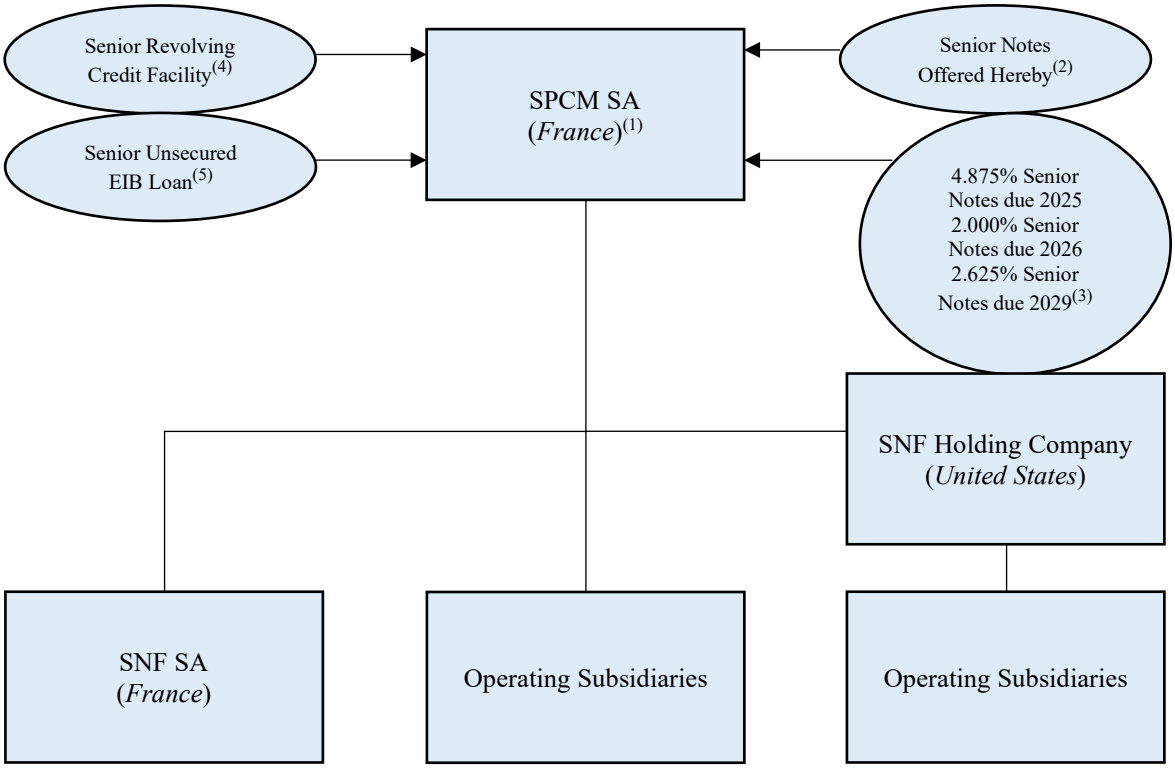
We continue to seek to reduce our costs of production. We also continue to focus on internal volume growth in order to increase our revenue and achieve economies of scale. We strive to enhance manufacturing productivity and will continue to make investments to achieve this aim. We will seek to increase plant capacity at existing plants to spread our fixed costs and to build new plant capacity in new markets where we believe there is strong market demand, such as the United Kingdom, Brazil, Russia, India and China.

Corporate Information

We were incorporated in France in March 1978. Our principal executive offices are located at Zac de Milieux, Rue Adrienne Bolland, 42163, Andrézieux, France and our main telephone number is +33 477 36 86 00. Our registered office is located at Zac de Milieux, Rue Adrienne Bolland, 42163, Andrézieux, France.

Corporate Structure

The following diagram sets forth our corporate structure after giving effect to the issuance of the Notes offered hereby and the use of proceeds thereof. See "*Use of Proceeds*."



(1) SPCM SA, or the Issuer, a *société anonyme* organized under the laws of France, is the holding company for the group.

(2) The Notes offered hereby will be senior unsecured obligations of the Issuer, ranking equally in right of payment with all other future senior unsecured indebtedness of the Issuer. The Notes will be effectively subordinated to all secured indebtedness of the Issuer, amounting to €5.6 million as of June 30, 2021 and structurally subordinated to all third-party indebtedness of the Issuer's subsidiaries, amounting to €16.2 million as of June 30, 2021, excluding the impact of IFRS 16 and capitalized financing costs.

(3) The Issuer is the issuer of our 4.875% Senior Notes due 2025 (the "**Senior Notes due 2025**"), 2.000% Senior Notes due 2026 (the "**Senior Notes due 2026**") and 2.625% Senior Notes due 2029 (the "**Senior Notes due 2029**"). As of June 30, 2021, and on the date hereof, €1,121.7 million of senior notes were issued and outstanding. The Senior Notes due 2026 and the Senior Notes due 2029 are not being redeemed with the proceeds of the offering of the Notes offered hereby and will remain outstanding in full. See "*Description of Other Indebtedness—Senior Notes due* 2029 *and Senior Notes due 2026*."

(4) The Issuer is the borrower under our €350.0 million senior revolving credit facility. As of June 30, 2021, no amounts were drawn under the facility. See "*Description of Other Indebtedness—Revolving Credit Facility*."

(5) The Issuer is the borrower under our €180.0 million eight-year unsecured EIB loan. See "*Description of Other Indebtedness—EIB Loan*."

The Offering

The following summary of the offering contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes, including certain definitions of terms used in this summary, please refer to the section of this Offering Memorandum entitled "*Description of Notes*."

Issuer	SPCM SA
Notes Offered	
Senior Notes due 2027	$350,000,000 aggregate principal amount of 3.125% Senior Notes due 2027.
Senior Notes due 2030	$350,000,000 aggregate principal amount of 3.375% Senior Notes due 2030. We may issue additional Notes in the future, subject to compliance with the covenants in the Indenture governing the Notes.
Issue Date	September 20, 2021.
Maturity Date	
Senior Notes due 2027	The Senior Notes due 2027 will mature on March 15, 2027.
Senior Notes due 2030	The Senior Notes due 2030 will mature on March 15, 2030.
Interest Rate	
Senior Notes due 2027	3.125% per annum, payable in arrears.
Senior Notes due 2030	3.375% per annum, payable in arrears.
Interest Payment Dates	
Senior Notes due 2027	The Senior Notes due 2027 will accrue interest from their date of issuance. Interest on the Notes will be payable semi-annually in arrears on March 15 and September 15 of each year, commencing on March 15, 2022. We will make each interest payment to the holders of record on the immediately preceding March 1 and September 1.
Senior Notes due 2030	The Senior Notes due 2030 will accrue interest from their date of issuance. Interest on the Notes will be payable semi-annually in arrears on March 15 and September 15 of each year, commencing on March 15, 2022. We will make each interest payment to the holders of record on the immediately preceding March 1 and September 1.
Denominations	Each Note will have a minimum denomination of $200,000 or integral multiples of $1,000 in excess thereof. Notes in denominations of less than $200,000 will not be available.
Ranking of the Notes	The Notes will be our senior unsecured obligations and will rank *pari passu* with all of our existing and future senior unsecured debt. The Notes will rank senior to any of our existing or future indebtedness that is expressly subordinated to the Notes.

The Notes will be effectively subordinated and structurally subordinated to indebtedness, liabilities and commitments (including trade payables and lease obligations) of our subsidiaries.

We are primarily a holding company with no revenue generating operations of our own. Our operations are conducted primarily through our subsidiaries and, therefore, we depend on the cash flow of our subsidiaries to meet our obligations, including our obligations under the Notes.

As of June 30, 2021, on an as adjusted basis giving effect to the issuance of the Notes in this offering and the application of the proceeds therefrom as described under "*Use of Proceeds*":

- on a standalone basis, the Issuer would have had approximately €1,653.9 million of indebtedness outstanding, €5.6 million of which would have been secured indebtedness and €0.3 million of which would have been capital leases; and

- our subsidiaries would have had approximately €16.2 million of third-party indebtedness outstanding, excluding the impact of IFRS 16 and capitalized financing costs.

Optional Redemption

Senior Notes due 2027..... We may redeem some or all of the Senior Notes due 2027 at any time on or after March 15, 2024 at the redemption prices described under "*Description of Notes — Optional Redemption of the Senior Notes due 2027*," plus accrued and unpaid interest, if any, and additional amounts, if any.

At any time prior to March 15, 2024 we may redeem all or part of the Senior Notes due 2027 by paying the applicable "make whole" premium as described under "*Description of Notes — Optional Redemption of the Senior Notes due 2027*."

In addition, on or prior to March 15, 2024, we may redeem up to 40% of the aggregate principal amount of the Senior Notes due 2027 with the proceeds of certain equity offerings at a redemption price equal to 103.125% of their principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, provided that at least 50% of the original aggregate principal amount of the Senior Notes due 2027 remains outstanding after the redemption.

Senior Notes due 2030..... We may redeem some or all of the Senior Notes due 2030 at any time on or after March 15, 2025, at the redemption prices described under "*Description of Notes — Optional Redemption of the Senior Notes due 2030*," plus accrued and unpaid interest, if any, and additional amounts, if any.

At any time prior to March 15, 2025, we may redeem all or part of the Senior Notes due 2030 by paying the applicable "make whole" premium as described under "*Description of Notes — Optional Redemption of the Senior Notes due 2030*."

In addition, on or prior to March 15, 2025, we may redeem up to 40% of the aggregate principal amount of the Senior Notes due 2030 with the proceeds of certain public equity offerings at a redemption price equal to 103.375% of their principal amount, plus

	accrued and unpaid interest, if any, and additional amounts, if any, provided that at least 50% of the original aggregate principal amount of the Senior Notes due 2030 remains outstanding after the redemption.
Additional Amounts; Tax Redemption	All payments in respect of the Notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, we will pay additional amounts so that the net amount you receive is no less than that you would have received in the absence of such withholding or deduction. If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes, we may redeem the Notes in whole, but not in part, at any time, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to, but not including, the date of redemption.
Change of Control	If we experience a change of control, you generally will have the right to require us to purchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any. See "*Description of Notes — Repurchase at the Option of Holders — Change of Control*."
Certain Covenants	We will issue the Notes under an indenture among us, BNY Mellon Corporate Trustee Services Limited, as trustee (the "**Trustee**"), The Bank of New York Mellon, London Branch, as paying agent (the "**Paying Agent**"), and The Bank of New York Mellon SA/NV, Dublin Branch as transfer agent and registrar (the "**Transfer Agent**" and the "**Registrar**") (the "**Indenture**"). The Indenture will limit, among other things, our ability to: • incur or guarantee additional indebtedness; • pay dividends or make other distributions; • repurchase or redeem our shares; • make investments or other restricted payments; • create liens; • engage in sale and lease back transactions; • enter into certain transactions with affiliates; • utilize proceeds from asset sales; • enter into agreements that restrict our restricted subsidiaries' ability to pay dividends; and • consolidate, merge or sell all or substantially all of our assets.

	All of these limitations will be subject to a number of important qualifications and exceptions. See "*Description of Notes—Certain Covenants*."
	Certain of the covenants will be terminated if we achieve investment grade ratings. See "*Description of Notes—Changes in Covenants When Notes Rated Investment Grade*."
Transfer Restrictions	The Notes have not been registered under the Securities Act or any other applicable securities laws and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*."
No Assured Market	Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing	We have applied to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange. There can be no assurance that the Notes will be listed on the Official List of the Luxembourg Stock Exchange or that such listing will be maintained.
Trustee	BNY Mellon Corporate Trustee Services Limited.
Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch.
Use of Proceeds	We intend to use the gross proceeds of this offering to redeem the Issuer's outstanding 4.875% Senior Notes due 2025 (the "**Senior Notes due 2025**"), to fund cash to our balance sheet for general corporate purposes, and to pay fees and expenses related to the Notes offering. See "*Use of Proceeds*."
Governing Law	The Indenture and the Notes will be governed by the laws of the State of New York.

Risk Factors

An investment in the Notes involves a high degree of risk. You should carefully consider the information set forth under "*Risk Factors*" beginning on page 16 and all of the information in this Offering Memorandum before deciding to invest in the Notes.

Summary Historical Consolidated Financial Information

The summary consolidated financial information presented below is derived from our audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and from our unaudited, condensed financial statements as of and for the six months ended June 30, 2021 with comparative financial information for the six months ended June 30, 2020.

Our audited consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and with IFRS as adopted by the European Union, as of December 31, 2019. The unaudited interim consolidated financial statements of the Issuer and its subsidiaries as of and for the six months ended June 30, 2021 with the comparative financial information for the six months ended June 30, 2020, included herein have been prepared in accordance with IAS 34.

The unaudited financial information of the Issuer for the twelve months ended June 30, 2021 is calculated by taking the results of operations for the six months ended June 30, 2021 and adding it to the difference between the results of operations for the full fiscal year ended December 31, 2020 and the six months ended June 30, 2021. The financial information for the six and twelve months ended June 30, 2020, is not necessarily indicative of the results that may be expected for the fiscal year ended December 31, 2021, or any future period, and should not be used as the basis for or prediction of an annualized calculation.

This summary historical financial information is not necessarily indicative of our future results of operations or financial condition and should be read together with our consolidated financial statements and related notes contained elsewhere in this Offering Memorandum and with the information set forth under "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Use of Proceeds*" and "*Capitalization*."

	(Audited) Year Ended December 31,			(Unaudited) Six Months Ended June 30,		(Unaudited) Twelve Months Ended June 30,
	2018	2019	2020	2020	2021	2021
	(in € thousands)					
Summary Consolidated Income Statement Data[1]						
Revenue, net	3,023,290	3,358,147	2,982,121	1,573,017	1,676,275	3,085,379
Raw materials and transportation costs[2]	(2,026,276)	(2,120,928)	(1,791,121)	(931,301)	(1,047,429)	1,907,249
Gross profit	997,015	1,237,219	1,191,000	641,716	628,846	1,178,130
Production costs	(490,669)	(588,836)	(593,020)	(302,143)	(317,845)	(608,722)
Marketing & distribution costs	(120,102)	(132,727)	(133,355)	(64,308)	(68,102)	(137,149)
Local supporting R&D	(45,364)	(49,329)	(52,088)	(25,927)	(25,646)	(51,807)
General & administrative costs	(69,786)	(74,887)	(78,347)	(43,776)	(41,018)	(75,589)
Selling, general & administrative costs	(235,252)	(256,943)	(263,789)	(134,011)	(134,766)	(264,544)
EBIT (Recurring operating income)[3]	271,094	391,440	334,191	205,562	176,235	304,864
Depreciation, amortization and changes to provisions	(151,957)	(183,539)	(217,710)	(106,306)	(105,253)	(216,657)
EBITDA[4]	423,051	574,979	551,901	311,869	281,487	521,519
Non-recurring income/(loss)	(26,981)	(21,750)	(66,083)	(21,618)	(14,945)	(59,410)
Financial income/(loss)	(78,353)	(39,162)	(86,553)	(47,480)	(604)	(39,677)
Income from non-consolidated subsidiaries	504	441	698	96	3,167	3,769
Tax on income	(43,736)	(68,944)	(43,046)	(32,651)	(32,704)	(43,099)
Income after tax	122,528	262,025	139,208	103,909	131,148	166,447
Net income – attributable to non-controlling interests	(3,634)	(4,957)	(6,156)	(3,511)	(1,505)	(4,150)
Net income – attributable to SPCM	118,894	257,068	133,051	100,399	129,643	162,295

	Audited At December 31,			(Unaudited) At June 30,
	2018	2019	2020	2021
	(in € thousands)			
Summary Consolidated Balance Sheet Data[1]				
Goodwill	62,528	78,479	71,858	73,607
PPE and right of use lease assets	1,815,365	2,048,144	1,989,549	2,065,879
Gross cash and cash equivalents (including cash management financial assets in 2020)	207,126	240,579	439,092	289,333
Total assets	3,431,402	3,812,447	3,803,092	4,098,700
Working capital[5]	686,137	708,153	631,075	819,217
Shareholders' equity	1,287,849	1,564,499	1,568,781	1,766,949
Borrowings and lease liabilities[6]	1,452,925	1,456,452	1,532,791	1,484,319

	(Audited) Year Ended December 31,			(Unaudited) Six Months Ended June 30,		(Unaudited) Twelve Months Ended June 30,
	2018	2019	2020	2020	2021	2021
	(in € thousands except ratios)					
Other Consolidated Financial Data[1]						
EBITDA[3]	423,051	574,979	551,901	311,869	281,487	521,519
Capital expenditures[7]	314,673	315,749	272,279	155,901	122,660	239,038
Net interest expense	60,456	64,836	56,564	30,988	23,388	48,964
Adjusted Net debt[8]	1,230,879	1,217,610	1,120,277			1,188,745
Adjusted Net debt to EBITDA[9]	2.91x	2.12x	2.03x			2.28x
EBITDA to interest expense ratio[10]	7.00x	8.87x	9.76x			10.65x

(1) The figures presented in this table are extracted from our consolidated financial statements that are included elsewhere in this Offering Memorandum.

(2) "Raw materials and transportation costs" corresponds to "Cost of sales" in our audited consolidated financial statements as of and for the year ended December 31, 2020 and our unaudited, condensed financial statements as of and for the six months ended June 30, 2021. This includes certain indirect costs, including wages, various fees, depreciation and amortization.

(3) EBIT corresponds to Recurring operating income, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Basis of Presentation*" for a correspondence to our audited financial statements.

(4) EBITDA is defined as EBIT (Recurring operating income) plus depreciation, amortization and changes to provisions. EBITDA is not a recognized financial measure under IFRS, and you should not consider it an alternative to the applicable IFRS financial measures. See "*Presentation of Financial Information*." The table below shows the reconciliation of EBITDA from EBIT (Recurring operating income).

	(Audited) Year Ended December 31,			(Unaudited) Six Months Ended June 30,		(Unaudited) Twelve Months Ended June 30,
	2018	2019	2020	2020	2021	2021
	(in € thousands)					
EBITDA Reconciliation:						
EBIT (Recurring operating income)[3]	271,094	391,440	334,191	205,562	176,235	304,864
Fixed assets amortization expenses	147,141	181,283	204,825	101,344	104,308	207,788
Provision for risks and charges allowances	6,390	7,414	6,763	3,851	3,116	6,028
Inventories depreciation allowance	1,789	(469)	2,592	911	527	2,209
Bad debt reserve allowance	872	3,549	9,105	7,643	1,687	3,149
Reversal of provision for risks and charges	2,823	5,457	4,331	2,806	3,537	5,061
Reversal of inventory reserve	541	2,236	258	446	482	296
Bad debt reserve reversal	872	544	985	4,191,450	367	2,839
Total depreciation, amortization and changes to provisions	(151,957)	(183,539)	(217,710)	(106,306)	(105,253)	(216,656)
EBITDA	423,051	574,979	551,901	311,869	281,487	521,519

(5) Working capital is defined as inventories plus trade receivables less trade payables. The table below shows the reconciliation of working capital with the results reported in our audited consolidated financial statements included elsewhere in this Offering Memorandum.

	(Audited) At December 31,			(Unaudited) At June 30,
	2018	2019	2020	2021
	(in € thousands)			
Working Capital Reconciliation:				
Inventory and work in progress	566,965	582,813	503,042	660,734
Trade receivables	593,723	649,740	577,057	751,903
Trade payables	(474,550)	(524,401)	(449,024)	(593,420)
Working capital	686,137	708,153	631,075	819,217

(6) Borrowings is defined as total debt, which is the sum of current and non-current borrowings.

(7) Excluding intangible assets.

(8) The net debt amounts presented in this table have been calculated using the average of the daily closing exchange rates for the euro and U.S. dollars given by the Banque de France index over the applicable twelve-month period, which as of June 30, 2021 was € 1.1884 to $1.00. We believe that adjusting net debt in this manner provides better comparability between periods, including by reducing the potential effects of exchange rate fluctuations, and we use these adjusted amounts to calculate the ratio of our net debt to EBITDA, which is translated at the average rate described above. Net debt amounts which have been adjusted in this manner may differ from and not be comparable to information that is presented elsewhere in this document and in our audited financial statements, which are prepared in accordance with IFRS as adopted by the European Union. Without the

exchange rate adjustment described above, the net debt as of June 30, 2021, as adjusted to give effect to the issuance of the Notes offered hereby and the application of the net proceeds therefrom, would be €1,188.7 million and the ratio of net debt, as adjusted to give effect to the issuance of the Notes offered hereby and the application of the net proceeds therefrom, to EBITDA would be 2.3x. For a discussion of capitalized financing costs reflected in net debt as adjusted for this offering, see "*Capitalization*." The table below shows the reconciliation of net debt with the results reported in our audited consolidated financial statements included elsewhere in this Offering Memorandum.

	(Audited) At December 31,			(Unaudited) At June 30,
	2018	2019	2020	2021
	(in € thousands)			
Net Debt Reconciliation:				
Total debt	1,452,925	1,456,452	1,532,791	1,484,319
Adjustments as per bank facility	(14,920)	1,737	26,578	(6,241)
Gross cash and cash equivalents (including cash management financial assets in 2019)	(207,126)	(240,579)	(439,092)	(289,333)
Adjusted Net debt	1,230,879	1,217,610	1,120,277	1,188,745

(9) Net debt to EBITDA is the ratio of total net debt less cash and cash equivalents at period-end over EBITDA.

(10) EBITDA to interest expense ratio is the ratio of EBITDA to net interest expense.

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the risks described below before deciding to invest in the Notes. In assessing these risks, you should also refer to the other information in this Offering Memorandum, including the financial statements and related notes. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties that are not currently known to us or that we currently consider immaterial could also impair our business, financial condition, results of operations and our ability to make payments on the Notes. Various statements in this Offering Memorandum, including the following risk factors, constitute forward-looking statements.

Risks Related to Our Business

We may experience difficulties in securing the supply of certain raw materials we use to manufacture some of our products.

We obtain a significant portion of our raw materials from selected key suppliers. Some of the raw materials used by us and other competitors have faced supply limitations in previous periods. In some cases because of various disruptions or transportation issues, some of our raw material vendors have been unable to supply sufficient amounts of raw materials for short periods. Many of the employees at the companies and other entities that we buy from and which transport our raw materials are also unionized and/or are located in France, and any outbreaks of contagious diseases, strikes or work stoppages at their facilities could also potentially have an adverse effect on our ability to obtain raw materials or other key supplies. For example, we utilize railway transportation for our raw materials in France, and strikes are a regular threat on the French railways. If any such disruptions occur, we risk revenue shortfalls and potential claims from end users and/or our distributors or resellers if we are unable to fully meet contractual requirements. Further, if any of these suppliers is unable to meet their obligations under present supply agreements, we may be forced to pay higher prices to obtain necessary raw materials or pay increased costs for alternative transportation. Also, because many of our agreements with suppliers are not documented by contracts, or, if they are documented, do not contain exclusivity provisions, we are exposed to changes in suppliers, or to changes in prices of our raw materials, which may force us to either accept higher costs or change suppliers. Any interruption of supply or any price increases in raw materials could have a material adverse effect on our results of operations or cash flows.

If sudden increases in the price of the raw materials we use to manufacture our products should occur, we may be unable to raise our prices immediately in response.

We are exposed to commodity price risks relating to raw materials and supplies, which accounted for approximately two thirds of our purchases and changes in stock and other charges in 2020. The majority of the raw materials we use to manufacture our products, such as acrylonitrile, are based on propylene, a petroleum derivative. Petroleum prices and propylene prices are subject to significant volatility. Since May and July 2020, depending on the region of the world, propylene prices have increased sharply and recovered to pre-crisis levels or even higher. In mid-February 2021, Winter Storm Uri brought record freezing temperatures to the US Gulf Coast and left millions without power as the storm led to catastrophic failures of the power grid and water supply in the southern United States, especially Texas. Many Gulf Coast refineries and petrochemical plants were shut down or ran at reduced rates, that disrupted the whole petrochemical chain in the world and led to historical price increases. To adapt to these skyrocketing prices, we have introduced two price increases in a row in all regions of the world in the first quarter of 2021.

We have taken, steps in recent years to mitigate the risk of increasing raw material prices by (i) regularly increasing prices of our products, in order to pass on raw material price increases to customers, and (ii) changing customer billing cycles, so that raw material price increases can be passed on to customers at the time the products are delivered to customers and not at the time they place their orders. We have also negotiated pricing arrangements with customers to permit regular increases in prices to reflect increases in raw material costs. Although we believe that we are partially protected as a result of historical acceptance of price increases in our customer base, there may be periods in which we are not able to recover all or part of the increases in the cost of raw materials due to weakness in demand for, or oversupply of, our products. Even when we do have the ability to pass on these increased costs to our customers, there may be delays in the implementation of such pass-through of costs to customers. Therefore, increases in petroleum, propylene or acrylonitrile prices could have a material adverse effect on our results of operations or cash flows.

COVID-19, or the outbreak of other contagious diseases, may have a material adverse effect on our business, results of operations financial condition and cash flows and has adversely affected our operations and financial results.

Any outbreak of severe communicable diseases, including COVID-19, may materially affect our business and results of operations. Concerns about the outbreak and rapid spread of such contagious diseases, including COVID-19 and its variants, have caused governments to take measures to prevent the spread of the virus. The outbreak of communicable diseases on a global scale has caused significant disruption to economies around the world, resulted in sporadic volatility in global capital markets.

Significant outbreaks of contagious diseases, including the outbreak of COVID-19, its variants or other diseases, may result in widespread health crises that could adversely affect the economies and financial markets of many countries, leading to substantial declines in consumer purchasing power and an economic downturn that could affect demand for our products, our ability to collect against existing trade receivables and our operating results. In particular, in response to the COVID-19 pandemic, on March 17, 2020, the French government imposed a nationwide lockdown, together with several other measures, which have had a material adverse impact on the overall French economy and our results of operations and financial condition. As a result of these restrictive measures in France, and other similar measures in the other markets in which we operate, we transitioned some eligible employees to remote working. We also implemented enhanced health and safety measures in our operations in line with public health rules and guidelines and industry practices to combat the spread of the COVID-19 pandemic.

Despite the lifting of the strict lockdown in France on May 11, 2020, significant restrictions and social distancing measures remain in place, which continue to adversely affect the overall French economy and, in turn, our operations. The full impact of the lockdown on the French economy is not yet known. Similar measures remain in place in the other markets where we operate, including each of the United States, China, India and South Korea, where we have major production facilities. If a significant portion of our workforce is unable to work effectively due to prolonged illness, quarantines, shelter-in-place arrangements, government actions, facility closures or other reasons in connection with the COVID-19 pandemic, our operations could be further materially impacted. We may also be unable to perform fully on our contracts and carry out new sales activity, and some of our costs may not be fully recoverable or adequately covered by insurance.

In addition, social distancing measures and restrictions imposed in response to the COVID-19 pandemic in countries where our suppliers are located, may also result in a slow-down of their production activities, including as a result of their inability to operate their businesses for a prolonged and indeterminate period of time, which would impact our operations. It is possible that the continued spread of COVID-19, further waves of infection, or a renewed or extended lockdown, if materialized, will cause further disruption in our business operations, cause delay or limit the ability of suppliers to perform under their existing contracts. Customers may experience significant losses due to the COVID-19 outbreak and may terminate their existing contracts or postpone or ultimately cancel future planned orders and contracts due to those losses. Both domestic and international travel may be further restricted to certain areas which may limit our ability to obtain new customers and enter new markets, to provide services in the areas in which our customers are currently located or otherwise conduct our operations as we would do under normal circumstances. The outlook for the world economy following the outbreak of COVID-19 remains subject to unprecedented uncertainty and such uncertainty may be prolonged in many of the markets in which we operate.

Our business could be adversely affected by the substitution of other products for PAM.

Approximately 83% of our 2020 net revenue came from the sale of PAM.

There are a number of technologies that could potentially replace PAM to a certain extent, which could include:

- natural flocculants (starch, guar gum, alginates);
- natural functionalized flocculants (cationized guar gums, chitosan (derived from crustacean shells), biological flocculants);
- other synthetic polymers; or
- the replacement of PAM use generally by the use of other flocculation or treatment methods.

While we generally believe that PAM is the most cost-effective product in its various applications in terms of performance, ease of use and price, there is a risk that the aforementioned products, or others that may be developed in the future, could be substituted for PAM.

We conduct a portion of our business with a limited number of resellers and distributors, who have the ability to change suppliers.

While we sell directly to a number of end users, a significant portion of our business is done through resellers and distributors, who buy our products for sale to end users along with related services. In particular, for industries that require a significant amount of services along with the chemicals they purchase, we rely on service-driven resellers to reach end users. We do not have any long-term contracts with these resellers or distributors, and rely on repeated purchase orders from them. If our resellers or distributors switch to another supplier, we might be unable to replace the loss in revenue generated by these resellers or distributors.

We are dependent on our manufacturing facilities for the production of our products, and disruptions to, closures of or an inability to complete expected expansions of one or more of these facilities could have a material adverse effect on our business.

We have major production facilities in each of France, the United States, China, India and South Korea. A significant interruption of production at any one of these facilities could cause disruptions in our ability to serve our markets, by rendering it impossible or commercially impracticable to deliver our products. For example, the damage that resulted from Hurricane Katrina in 2005 halted the shipment of our products from, and the delivery of raw materials to, affected plants in the United States for a period of several weeks, and transportation costs from the United States to Europe increased our costs. Further disruptions were caused by the COVID-19 pandemic, see "*—Any outbreak of severe communicable diseases, including COVID-19, may materially affect our business and results of operations*." These disruptions could have a material adverse effect on our business, financial condition and results of operations. Moreover, we plan to increase our manufacturing capacity in the next several years. Disruptions in our ability to achieve this expansion will impact our growth strategy.

Fluctuations in oil prices could cause a decrease in market demand for our oil recovery applications.

The demand for the products we produce for the oil and gas industry, which composed approximately 20% of our 2020 net revenue, depends in large part on oil and gas prices. For example, we sell PAM for use in chemical flooding in the oil industry (in a process known as enhanced oil recovery, or "**EOR**"). The total cost per barrel for EOR technique ranges from approximately $3 to $6 per barrel. While current oil prices make it cost-effective for oil producers to use EOR techniques, despite the significant decline in oil prices in recent months, if there is a significant drop in oil prices, our product might no longer be economically viable for oil producers.

Oil prices can vary as a result of various factors, including excess supply, natural disasters, political instability or conflicts, economic conditions or actions taken by major oil-exporting countries. A material drop in oil prices may result in less demand and lower prices for our products as oil and petroleum customers become less willing to pay for the products that we currently sell and those relating to EOR.

If we are unable to respond to the changing needs of a particular industry and to anticipate, respond to or utilize new technologies and develop additional product offerings, it could become more difficult for us to respond to the needs of the customers we supply and result in us being less competitive.

We have historically been able to maintain our market positions and margins through continuous innovation of products and development of additional products to create value for the end users and resellers we supply. We may not be successful in continuing to produce creative new products in the future. Our future operating results will likely depend on our ability to continue to introduce new products and applications and to develop new offerings that offer distinct value for the end users and resellers we supply. We cannot assure you that:

- we will be successful in developing new products or systems or bringing them to market in a timely manner;
- products or technologies developed by others will not render our offerings obsolete or non-competitive;
- customers will accept our innovations;
- we will have sufficient resources to research and develop new technologies and products; or
- our significant research and development efforts and expenditures for new products will ultimately prove successful.

Significant competition in our industry may adversely affect our competitive position, revenue and overall operations.

The markets for most of our products are highly competitive. We are exposed to the competitive characteristics of several different geographic markets and industries. We compete on a number of considerations, such as product innovation, product quality, timing of deliveries and price. Some of our competitors have greater financial, technical and marketing resources than us and may be able to compete better than we do. Further, if a competitor is able to sell directly to end users, rather than through resellers or distributors, it may be in a better position to respond to the needs of end users and may be better able to compete than we are. As the markets for our products expand, we expect that existing competitors may commit more resources to the markets in which we participate. We cannot assure you that we will be able to compete effectively in these markets in the future.

Our future success will depend in part on our ability to protect our intellectual property rights, and our inability to enforce these rights could permit others to offer products competitive with ours.

We rely on the patent, trademark, copyright and trade secret laws of several countries to protect our intellectual property rights. However, we may be unable to prevent third parties from using our intellectual property without our authorization. The use of our intellectual property by others could reduce any competitive advantage we have developed or otherwise harm our business. If we had to litigate to protect these rights, any proceedings could be costly, and we may not prevail.

In particular, we have the benefit of patent licenses, on some of which we rely for the production of certain of our products and/or our production processes. We may not be able to maintain or renew these licenses in the future, which could have a material adverse effect on our business.

We regularly obtain and apply for several worldwide patent and trademark registrations, and will continue to evaluate the registration of additional service marks, trademarks and patents, as appropriate. Our pending applications may not be approved by the applicable governmental authorities and, even if the applications are approved, third parties may seek to oppose or otherwise challenge these registrations. A failure to obtain trademark and patent registrations could limit our ability to protect our trademarks and impede our marketing efforts in those jurisdictions.

Our worldwide operations expose us to global economic and political changes that could impact our profitability.

We have significant worldwide operations, which include joint ventures and other relationships. There are inherent risks in our international operations, including:

- exchange controls and currency restrictions;
- the possibility of currency fluctuations and devaluations;
- tariffs and trade barriers;
- export duties and quotas;
- changes in local economic conditions;
- changes in laws and regulations;
- difficulties in managing international operations and the burden of complying with local laws;
- exposure to possible expropriation or other government actions;
- restrictions on our ability to repatriate dividends from our subsidiaries; and
- unsettled political conditions.

Our international operations also expose us to different local political and business risks and challenges. For example, in certain countries, such as China, we face periodic political issues which could result in foreign exchange risks or the risk that we are required to include local ownership or management in our businesses. We also face the risk of economic uncertainty, which may impact our business in these countries. Other risks in international business also include difficulties in staffing and managing local operations, including our obligations to design local solutions to manage credit risk to local end users and distributors.

Other risks of international operations include trade barriers, tariffs, exchange controls, national and regional labor strikes, social and political risks, general economic risks, required compliance with a variety of laws, including tax laws and the difficulty of enforcing agreements and collecting receivables through legal systems in certain jurisdictions. Our overall success as a global business depends, in part, upon our ability to succeed in differing economic, social and political conditions. We may not continue to succeed in developing and implementing policies and strategies that are effective in each location where we do business, which could negatively affect our business and financial condition.

We are exposed to currency fluctuation risks as well as to economic downturns and local business risks in several different countries that could adversely affect our profitability.

Because we operate globally, our financial results are subject to both translation and transaction effects resulting from fluctuations in currency exchange rates. The primary currency exchange risk we face is translation risk. In preparing our consolidated financial statements, we convert the results of our subsidiaries located outside the Eurozone at the spot rate as of each balance sheet date and for statement of income items, at the average rate over the period. When the value of the euro increases in relation to a non-euro currency, those results are, all else being equal, lower due to the translation effect. For example, for the twelve months ended June 30, 2021, we generated 34.6% of net revenue in North America.

We are also exposed to transaction risk when our revenue is denominated in currencies that are different from those in which we purchase our raw materials and incur production costs although the majority of our raw materials and production costs are incurred in the same currency in which we earn our revenue. If the value of the currency in which the selling price is denominated declines relative to the currency in which we incur our costs, the profit margin for any such transaction would be reduced. In countries where we sell our products in currencies other than the euro, we aim to incur a large portion of the costs associated with those sales in the same non-euro currency. This partial matching of costs to revenue creates a natural hedge that protects us to a degree against the transaction effects of exchange rate fluctuation. Nevertheless, a short-to-medium-term decline in the value of the U.S. dollar and other currencies relative to the euro could weaken our competitive position as compared to competitors who incur a larger portion of their costs in the currencies of their export markets.

Our success depends on the continued service of certain key personnel.

Our success depends in significant part upon the continued service of our directors and senior management, as well as senior management at each of our material subsidiaries, including our Chairman and Chief Executive Officer, Pascal Remy; René Pich, our Senior Executive Vice President and one of our two original founders; René Hund, our Technical Director; Cédrick Favero, our R&D Director; and Philippe Lecointre, our Administrative and Quality Manager. Our future growth and success also depend on our ability to attract, train, retain and motivate skilled managerial, sales, administration, operating and technical personnel. The loss of one or more of our key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material adverse impact on our business.

We depend on good relations with our workforce, and any significant disruption in our workforce could adversely affect us.

As of June 30, 2021 we employed 6,754 people, some of whom are members of labor unions, of whom 1,470 are located in France. From time to time, we have taken advantage of government programs in the markets where we operate designed to favor employment, including government furlough schemes. There can be no assurance that such programs will not adversely affect our relationship with our workforce.

If we were to make any changes to the terms of employment for any of our employees and such employees were to react adversely to these changes, we could experience labor disputes and work stoppages at one or more of our sites. More generally, some of our operations are located in France, and although we have had limited labor union issues in the past, there is a history of labor disputes and work stoppages among workers in France. A labor disturbance or work stoppage at any of our facilities could have an adverse effect on that facility's operations and, potentially, on our business.

Environmental, safety and production regulations or concerns could cause our plants to be seized or our operations to be interrupted, require us to modify our operations, subject us to liability for fines or damages, and increase our manufacturing and delivery costs.

We are subject to the requirements of environmental and occupational safety and health laws and regulations in the United States and other countries. These include laws and regulations pertaining to the discharge of materials into the environment, pertaining to the manufacture, transportation, storage, handling and disposal of hazardous substances and hazardous wastes, or otherwise relating to the protection of human health and the environment.

Under some of these laws and regulations, a current or previous owner or operator of a facility may be liable for the removal or remediation of hazardous materials at the facility and nearby areas. Such laws typically impose liability without regard to fault. In addition, under various laws governing the generation, transportation, treatment, storage or disposal of solid and hazardous wastes, owners and operators of facilities may be liable for investigation or remediation at areas where hazardous materials have been released. The costs of investigation of remediation may be substantial. The presence of hazardous materials in the environment at any of our facilities, or the failure to abate such materials promptly or properly, may adversely affect our ability to operate such facilities. Certain of these laws also impose liability for investigation or remediation on persons who dispose of or arrange for the disposal of hazardous substances at facilities owned or operated by third parties. In certain instances, liability for such costs is retroactive, strict, and joint and several; it may also include obligations to investigate and clean up environmental contamination on or from our current or former properties or at off-site locations to which we sent wastes. Under these laws and regulations, we may have these obligations without regard to fault or the legality of the conduct that contributed to the contamination, and liability for the entire cost of a cleanup can be imposed on any responsible party.

The activities and plants at our production facilities are subject to a variety of laws and regulations, including requirements relating to the emission of pollutants into the ground, waters and the atmosphere and the generation, transportation, treatment, storage, and disposal of solid and hazardous wastes. We are also subject to laws that regulate the manufacture, processing and distribution of chemical substances and mixtures, as well as the disposition of certain hazardous substances. Further, non-compliance or alleged non-compliance with environmental and product safety regulations may result in our being forced to modify plant operations, or even result in the seizure of raw materials or product or the permanent or temporary discontinuation of the operations of our non-conforming plants.

We have made, and will continue to make, capital and other expenditures to comply with these environmental requirements. Although we believe we are in material compliance with environmental requirements, we may not have been and may not at all times be in complete compliance with all of these requirements, and we may incur material fines, damages, or liabilities in connection with these requirements in excess of amounts we have reserved, or our operations at non-conforming plants may be interrupted or discontinued by administrative or court orders. In addition, these requirements are complex, change frequently and tend to become more stringent over time. In addition, in the future, we may discover previously unknown contamination that could subject us to additional expense and liability.

Our products, including the raw materials we handle, are subject to rigorous industrial and environmental safety and health regulations and investigations. There is a risk that a key raw material, chemical or substance or one of our products may be recharacterized as having a toxicological or health related impact on the environment, on the end users and resellers we supply, or our employees. Industrial and environmental safety and health regulations are continually strengthened and if such recharacterization occurred, the relevant raw material, chemical or product may be banned or we may incur increased costs in order to comply with new requirements. Changes in industrial and environmental safety and hygiene regulations may also affect the marketability of certain of our products, and may have a material adverse effect on our business.

Production, waste and product regulations are subject to expansion or enhancement. Any new or tightened regulations could lead to increases in the direct and indirect costs we incur in manufacturing and delivering products to the end users and resellers we supply. For example, the European Parliament and Council adopted chemical legislation which went into force in 2007 and which impacts the manufacturers, importers, distributors and users of all chemicals, not just those chemicals which are considered to be hazardous to human health and the environment. The ongoing implementation of this regulation, referred to as REACH (Registration, Evaluation and Authorisation of Chemicals), means that all chemical manufacturers and importers are faced with additional costs to conduct their businesses in the European Union and the European Economic Area.

Under REACH, acrylamide, the main raw material for PAM, has been listed as a candidate for inclusion in the authorization process (Annex XIV). However, EU concerns about acrylamide were for its use in chemical grouting applications, which have now been banned in the EU. Therefore, the European Chemicals Agency (the "ECHA") has determined not to prioritize acrylamide for inclusion in Annex XIV at this time. Even if Authorisation should go forward, it would have no impact on acrylamide's use as a monomer in polymer manufacture, as such usage is exempt from the Authorisation process. No other raw material of ours is included in the EU REACH Candidate List of Substances of Very High Concern for Authorisation.

New or expanded chemical regulations are being implemented or considered in other areas of the world. In addition to an increase in costs in purchasing raw materials and manufacturing and delivering products, these new programs and any future changes in production regulations could result in interruptions to our business and potentially cause economic or

consequential losses should we be unable to meet the related demands of end users and resellers of our products. For example, SNF was the Lead Registrant for acrylamide under K-REACH, a law in Korea similar to EU REACH. SNF completed the registration process in 2018, and we therefore expect no interruption to our business in Korea with consequent economic or consequential losses in relation to product registration requirements.

Further, our products are used as drag reducing agents in the hydraulic fracturing process used in the shale gas and shale oil extraction business. Hydraulic fracturing has come under increased regulatory scrutiny in recent years, and has been banned altogether in certain jurisdictions, including in France. Additionally, the U.S. federal government and several U.S. state governments have considered, proposed or implemented legislation and regulations requiring, among other things, the disclosure of chemicals used by the oil and natural gas industry in the hydraulic fracturing process, and there are ongoing agency studies of the process. Although we have not to date experienced effects from these activities, depending on the outcome of these regulatory and legislative processes (including increased disclosure of the chemical constituents in hydraulic fracturing fluid), participants in the hydraulic fracturing business (including us) could see increased regulatory scrutiny and potential associated litigation, which could result in decreased demand for our products and adversely affect our hydraulic fracturing business. Further, fracking has recently been the subject of negative media attention, criticized for its potentially negative impact on the environment. Such media reporting may cause decreased demand for our products as well as cause harm to our reputation, which may have an adverse impact on our business, financial position and results of operations.

Climate change may affect our operations and product sales.

Climate change has increasingly become the subject of substantial international, national, regional, and local attention, and impacts will likely be driven by changes in physical climate parameters, regulations and public policy. For example, it is difficult to predict and assess the physical impacts that changing climate conditions, such as droughts, or more frequent and severe weather events, such as hurricanes, will have on our business (including impacts to our operating locations and supply chain). Environmental concerns have been progressing rapidly and have already transformed certain sectors. Due to concerns over the risk of climate change, a number of countries have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas ("**GHG**") emissions. These include adoption of cap and trade regimes, carbon taxes, restrictive permitting, increased efficiency standards, and incentives or mandates for renewable energy. We expect climate change in both developing and developed countries to become a growing concern over time, and therefore change laws, regulations, habits and processes in the future. At this stage, it is not possible to accurately estimate a timetable or future compliance costs relating to implementation of climate change-related laws and regulations. Such future changes in legislation and regulation, and related voluntary actions associated with climate change, may increase the likelihood that the Company's manufacturing facilities will be impacted by carbon requirements, regulation of GHG emissions, and energy policy, which may in turn result in increased capital expenditures, increased costs for raw materials and energy, limitations on raw material and energy source and supply choices, and other compliance costs.

Our sales ultimately depend on several factors, and the demand for our customers' end products, and consequentially our products, may be affected by the impact of behavioral and regulatory changes in France and other markets in which we operate. Any such changes as a result of climate change could reduce the demand for our customers' end products, make our products more expensive, less competitive and less appealing, as well as shift demand towards different sources with lower environmental impact. Any such change could have an adverse effect on our business, results of operations and financial condition.

Our operations are subject to hazards, which could result in significant liability to us.

Our operations are subject to the hazards associated with chemical manufacturing and the related storage and transportation of raw materials, products and wastes. These hazards include explosions, fires, natural disasters, mechanical failure, remediation material and chemical spills, discharges or releases of toxic or hazardous substances or gases, and other environmental risks. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil and criminal liabilities, as well as litigation in the United States and in the rest of the world.

We may be liable for damages based on product liability claims.

Because many of our products provide critical performance attributes to the applications and products of end users, the sale of these products involves the risk of product liability claims. A successful product liability claim or series of claims against us in excess of our insurance coverage for payments for which we are not otherwise indemnified could have a material adverse effect on our financial condition or results of operations.

Risks Related to our Capital Structure

Our substantial indebtedness could harm our business by limiting our available cash and our access to additional capital.

As a result of the issuance of the Notes in this offering, our Senior Notes due 2029, our Senior Notes due 2026, our Senior Notes due 2025, our borrowings under our senior revolving credit facility and our other financing arrangements, we have substantial debt. On an as adjusted, basis after giving effect to the issuance of the Notes offered hereby and use of proceeds thereof, our total long-term debt would have been €1,654 million at June 30, 2021.

Our degree of indebtedness could have important consequences for you, including the following:

- it may limit our and our subsidiaries' ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and investments, and general corporate or other purposes on favorable terms or at all;
- a substantial portion of our cash flows from operations must be dedicated to the payment of principal and interest on our indebtedness and thus will not be available for other purposes, including operations, capital expenditures and future business opportunities;
- the debt service requirements of our other indebtedness could make it more difficult for us to make payments on the Notes;
- it may limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to those of our competitors that are less highly-leveraged;
- it may restrict our ability to make strategic acquisitions or cause us to make non-strategic divestitures; and
- we may be more vulnerable than a less leveraged company to a downturn in general economic conditions or in our business, or we may be unable to carry out capital spending that is important to our growth.

Our debt agreements contain, and the Indenture governing the Notes offered hereby will contain, restrictions that limit our flexibility in operating our business.

Our senior revolving credit facility and the indentures governing the Notes offered hereby and our Senior Notes due 2029, our Senior Notes due 2026, our Senior Notes due 2025, and our other financing arrangements, contain a number of significant covenants. These covenants, among other things, restrict our and our subsidiaries' ability to:

- incur or guarantee additional indebtedness;
- pay dividends on or make other distributions or repurchase our own shares;
- make certain investments;
- create certain liens;
- enter into new sale and leaseback transactions;
- enter into certain types of transactions with our affiliates;
- limit dividends or other payments by restricted subsidiaries;
- use assets as security in other transactions;
- repay the Notes;
- change substantially the nature of our business; and
- sell certain assets or merge with or into other companies.

In addition, under our senior revolving credit facility, we are required to satisfy and maintain specified financial ratios and tests. Events beyond our control may affect our ability to comply with those provisions and we may not be able to meet those ratios and tests. The breach of any of these covenants would result in a default under the senior revolving credit facility agreement and the lenders could elect to declare all amounts borrowed under our senior revolving credit facility,

together with accrued interest and other ancillary amounts, to be due and payable. If any of our indebtedness were to be accelerated, our assets may not be sufficient to repay in full that indebtedness and the Notes.

Many of the covenants in the Indenture will be terminated if the Notes are rated investment grade with a stable outlook by both of S&P and Moody's Investor Service, Inc. ("**Moody's**"). The covenant termination will occur following S&P and Moody's rating change provided at such time no default under the Indenture has occurred and is continuing. There can be no assurance that the Notes will ever be rated investment grade, or that if they are rated investment grade, that they will maintain such ratings. See "*Description of Notes — Certain Covenants — Changes in Covenants When Notes Rated Investment Grade*."

We must rely on payments from our subsidiaries to fund payments of the Notes. Such funds may not be available in certain circumstances.

We are primarily a holding company and all of our operations are conducted through our subsidiaries. Therefore we depend on dividends or other payments from our subsidiaries to meet our obligations, including our obligations under the Notes. The ability of our subsidiaries to distribute funds to us by way of dividends, distributions, interest, return on investments or other payments (including loans) is subject to the availability of profits and funds, and various restrictions, including restrictions imposed by other indebtedness and, with respect to French subsidiaries, by their own corporate interest (*intérêt social*). Noteholders will not have a direct claim on the cash flows of our operating subsidiaries, and such subsidiaries are legally distinct and have no obligation and have made no guarantee, contingent or otherwise, to pay amounts due under the Notes or to make such funds available to us. If we do not have sufficient funds for payment of the interest, principal and additional amounts, if any, on the Notes when due, and unless we are able to obtain funds from a source other than our subsidiaries, we may not be able to satisfy our obligations under the Notes.

We are controlled by a significant shareholder whose interests may conflict with yours.

Substantially all of our shares (more than 99.99%) are owned by a U.S.-based irrevocable trust, the beneficiaries of which are charities. The trust is administered by a trustee and our Senior Executive Vice President, Mr. René Pich, is the protector. While one of our board members would be considered as "independent" of our major shareholders or our management, the interests of our shareholders and/or our board of directors could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due.

Our variable rate indebtedness and our indebtedness denominated in non-euro currencies subjects us to interest rate risks, which could cause our debt service obligations to increase significantly.

Certain of our borrowings, primarily borrowings under our senior revolving credit facility, will be at variable rates of interest and will expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash available for servicing our indebtedness, including the Notes, would decrease.

Moreover, our Senior Notes due 2025 and the Notes offered hereby are in U.S. dollars. Other of our indebtedness is denominated in currencies other than euro. Depreciation of the euro against these currencies could result in increases in our total indebtedness and debt service requirements, which we record in euro.

We may not be able to generate sufficient cash to service all of our indebtedness, including the Notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, seek additional capital or seek to restructure or refinance our indebtedness, including the Notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations. Our senior revolving credit facility and the Indenture governing the Notes will restrict our ability to use the proceeds from asset sales. We may not be able to consummate those asset sales to raise capital or sell assets at prices that we believe are fair and proceeds that we do receive may not be adequate to meet any debt service obligations then due.

We may face risks related to taxation and changes to applicable tax regimes.

We are subject to complex and evolving tax legislation in the countries in which we operate, international tax laws as well as tax compliance requirements (especially in the current international tax context tending towards enhanced mandatory disclosure obligations). Changes in tax laws or regulations or in their interpretations could adversely affect our tax position, such as our effective tax rate or tax payments.

In particular, European and French tax laws and regulations are extremely complex and are subject to varying interpretations. For example, the current incorporation into French tax law of the Organization for Economic Cooperation and Development's (the "**OECD**") principles related to base erosions and profit shifting ("**BEPS**") that were included in the final reports released by the OECD as well as the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS signed in Paris on June 7, 2017, may increase the administrative efforts within our business and impact existing structures.

Furthermore, the European Union continues to harmonize the tax legislation of the Member States. In this respect, the Council of the European Union (the "**Council of the European Union**") adopted a directive "laying down rules against tax avoidance practices that directly affect the functioning of the internal market" on July 12, 2016 (Council Directive 2016/1164) (the "**ATAD**"). The ATAD was later amended on May 29, 2017 by the Council Directive (EU) 2017/952 (the "**ATAD 2**"), which, *inter alia*, extended the scope of the ATAD to hybrid mismatches involving third countries (subject to certain exceptions) as from January 1, 2020. Amongst the set of proposed measures, the ATAD provides for a general interest limitation rule pursuant to which the tax deduction of net financial expenses would be limited to 30% of the taxpayer's earnings before interest, tax, depreciation and amortization (EBITDA) or to a maximum amount of €3 million, whichever is higher (subject to several exceptions). Such new rules already apply since January 1, 2019 following the transposition into French tax law by Article 34 of the French Finance Law for 2019 (Law 2018-1317 of December 28, 2018) (the "**French Finance Law for 2019**") of the general interest limitation rule provided for by the ATAD. The French Finance Law for 2020 (Law 2019-1479 of December 28, 2019) (the "**French Finance Law for 2020**") also introduced under French tax law the provisions of the ATAD 2 and thus repealed the existing French anti-hybrid rules, as set forth in Article 212-I-b of the French Tax Code (*code général des impôts*) (the "**French Tax Code**"). See "*Risk factors— French tax legislation may restrict the deductibility, for French tax purposes, of all or a portion of the interest on our indebtedness incurred in France, thus reducing the cash flow available to service our indebtedness*" for more details on this rule.

In addition, Article 108 of the French Finance Law for 2019 introduced under French tax law, the anti-abuse provision provided for by the ATAD with respect to French corporate income tax, which aims to address abusive tax practices that are not dealt with by specifically targeted provisions. Pursuant to this provision, the French tax authorities might ignore an arrangement, or a series of arrangements, which, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the applicable tax law, are not genuinely taking into account all relevant facts and circumstances.

The European Commission has also published a corporate reform package proposal on October 25, 2016, including three new proposals that aim at (i) relaunching the Common Consolidated Corporate Tax Base ("CCCTB") which is a single set of rules to compute companies' taxable profits in the EU, (ii) avoiding loopholes associated with profit-shifting for tax between EU countries and non-EU countries, and (iii) providing new dispute resolution rules to relieve problems with double taxation for businesses. The directive proposal on the CCCTB requires unanimity in the Council of the European Union for its adoption following consultation of the European Parliament (special legislative procedure), which gave its favorable vote on March 15, 2018. It is expected to be implemented in two steps, with the common base being implemented as a first step and consolidation being put in place swiftly afterwards. More recently, in a communication to the European Parliament and the Council of May 18, 2021 and denominated "Business Taxation for the 21st Century", the European Commission announced additional measures in the field of corporate taxation to take into account the evolution of the context of the EU business taxation policy. In particular, the European Commission announced that it will propose a new framework for income taxation for businesses in Europe ("**Business in Europe: Framework for Income Taxation**" or "**BEFIT**") that will replace the pending proposals under the CCCTB. BEFIT will be a single corporate tax rulebook for the EU and will consist in consolidating the profits of the EU members of a multinational group into a single tax base, which will then be allocated to Member States using a formula and be taxed at national corporate income tax rates. The preparation for this new proposal will be carried out by the European Commission alongside the Member States and the European Parliament and will give rise to consultations with the business sector and civil society groups. Alongside BEFIT, the European Commission also announced, among other things, that it would (i) table a legislative proposal setting out union rules to neutralize the misuse of shell entities for tax purposes, (ii) adopt a recommendation on the domestic treatment of losses and (iii) make a legislative proposal creating a Debt Equity Bias Reduction Allowance ("**DEBRA**").

Furthermore, new rules on tax dispute resolution already apply since July 1, 2019 following the transposition of Council Directive 2017/1852 of October 10, 2017 into French tax law as part of the French Finance Law for 2019. These new regulations could impact our tax position in the future.

We often rely on generally available interpretations of tax laws and regulations in the jurisdictions in which we operate. We cannot be certain that the relevant tax authorities are in agreement with our interpretation of these laws. If our tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require us to pay taxes that we currently do not collect or pay or increase the costs of our products or services to track and collect such taxes, which could increase our costs of operations and have a negative effect on our business, results of operations and financial condition.

French tax legislation may restrict the deductibility, for French tax purposes, of all or a portion of the interest on our indebtedness incurred in France, thus reducing the cash flow available to service our indebtedness.

The main limitations on deductibility of interest which could apply to us are outlined below. Such description is not exhaustive, holders of the Notes are advised to seek their own professional advice in relation to the risk factors relating to tax.

Please note that the below description is based on the rules currently in force under French tax legislation. The French Finance Law for 2019 included specific provisions which have implemented into French tax legislation the provisions of the ATAD regarding interest deductibility limitations in respect of fiscal years opened since January 1, 2019.

In relation to such implementation, (i) the provisions of (x) Articles 212 *bis* and 223 B *bis* of the French Tax Code (*i.e.,* the former 25% general limitation of deductibility of financial expenses ("*rabot fiscal*")) and (y) Article 209-IX of the French Tax Code (the "*Amendement Carrez*" limitation) have been repealed and (ii) the provisions of Article 212-II of the French Tax Code (*i.e.,* existing thin-capitalization rules) have been amended, as developed in more detail below.

The other rules limiting interest deductibility generally remain unchanged, in particular the rules relating to the maximum deductible tax rate for interest paid to direct minority shareholders or to related parties in the sense of Article 39.12 of the French Tax Code (Articles 39-1-3 and 212-I-(a) of the French Tax Code).

Interest paid by an entity to a direct shareholder are only tax deductible up to the rate referred to in Article 39-1-3 of the French Tax Code (*i.e.,* the annual average of the average effective floating rates on bank loans to companies with an initial maturity exceeding two years). By derogation, Article 212 § I-a) of the French Tax Code provides that, with respect, to loans granted by a related party within the meaning of Article 39.12 of the French Tax Code, the interest is deductible up to the rate referred to in Article 39-1-3 of the French Tax Code or, up to the rate that the borrowing entity could have obtained from independent financial credit institutions in similar circumstances if higher than the rate referred to in Article 39-1-3 of the French Tax Code.

The anti-hybrid provisions have been amended by the Finance Law for 2020 implementing ATAD 2. The prior rules provided under Article 212§ I b of the French Tax Code have been repealed and a new set of situations falling in the scope of those restrictions has been codified under Articles 205 B, 205 C and 205 D of the French Tax Code. As a general principle, hybrid schemes between associated companies (under the meaning of new Article 205 B, I 16° of the French Tax Code) originating a tax asymmetry effect (*i.e.,* double deduction or deduction without inclusion) fall into those restrictions. As a result, interest paid by a French company to associated companies will not be deductible in France if (i) the same payment gives right to deduction in another jurisdiction (including if this results from a double tax residency of the debtor as provided by Article 205 D of the French Tax Code) or (ii) if said interest are nowhere included in the tax basis of the beneficiary. The tax asymmetry in this second instance (*i.e.,* no inclusion) can result from (i) the difference in the qualification of the hybrid instrument used between the respective jurisdictions of the debtor and beneficiary, (ii) the difference in the analysis of which entity should get the allocation of the income (hybrid beneficiary or beneficiary with various establishments or attribution of the income to a non-taxable establishment), or (iii) the difference in the analysis of an hybrid debtor according to which payment is disregarded in the jurisdiction of the beneficiary. Although the aim of those provisions is primarily to cover schemes between associated entities, it also includes payments to third parties in case of a structured scheme *i.e.,* an hybrid scheme with a third party which terms reflect the benefit of the tax asymmetry and where all or part of the tax gain is in fine reallocated to an associated company. Those new restrictions apply for fiscal years opened since January 1, 2020, save for certain provisions that will apply to fiscal years opened as from January 1, 2022.

A general cap limits the deduction of the net financial charges incurred by a company or a tax group in accordance with Article 212 *bis* § II of the French Tax Code, as modified by the Finance Law for 2019. The cap applies at the company's level when the company is taxed on a stand-alone basis or at the tax group level when the company is a member of a tax consolidated group. The cap differs depending on various factual circumstances, namely (i) the net financial expenses of the

company or tax consolidated group for a given fiscal year (*i.e.,* difference between the financial expenses and the financial incomes acquired); (ii) their adjusted tax EBITDA for said fiscal year (corresponding to the taxable income before offset of carry forward tax losses and without taking into consideration net financial expenses and, to some extent, depreciation, provisions and capital gains/losses); (iii) the nature of the indebtedness (*i.e.,* third party debt or intragroup debt appreciated between entities holding a stake of at least 50% or having de facto control); (iv) in case of intragroup debt, the average amount of related party debt exceeding 1.5 times the amount of its net equity where the company or the tax consolidated group will be regarded as thin-capitalized (*i.e.,* "**Thin-Capitalized Perimeter**"); (v) the comparison between the total indebtedness of the company or the tax consolidated group with the one of the consolidated group, to which the company or tax consolidated group belongs (i.e., the "**Indebtedness Safe Harbor**"); and (vi) the comparison of the net equity ratio of the company or tax group over the assets compared to the one of the consolidated group to which the company or the tax group belongs (*i.e.,* the "**Financial Autonomy Safe Harbor**"). As a principle, a company / tax consolidated group may deduct its net financial expenses within the limit of the higher between €3.0 million and 30% of the company / tax consolidated group's adjusted tax EBITDA. This general cap is increased by 75% of the portion of the net financial expenses which are non-deductible after application of the €3.0 million or 30% adjusted tax EBITDA limitation in three circumstances : (i) autonomous companies (i.e., companies which are not members of a consolidated group, have no establishment outside France and no associated company (appreciated between entities holding a stake of at least 25%); (ii) companies or tax consolidated groups belonging to a consolidated group which do not qualify as a Thin-Capitalized Perimeter and benefit from the Indebtedness Safe Harbor; and (iii) companies or tax consolidated groups belonging to a consolidated group which qualify as a Thin-Capitalized Perimeter but benefit from both the Indebtedness Safe Harbor and the Financial Autonomy Safe Harbor. A contrario, restrictive limitations may apply in case the company / tax consolidated group qualify as a Thin-Capitalized Perimeter (unless it benefits from the Indebtedness Safe Harbor) where the €3.0 million and 30% of the company / tax consolidated group's adjusted tax EBITDA is partially reduced to €1.0 million and 10% of the company / tax consolidated group's adjusted tax EBITDA for the portion of the net financial expenses corresponding to the intragroup debt in excess to the 1/1.5 debt to equity ratio.

Pursuant to the *Bulletin Officiel des Finances Publiques-Impôts* BOI-IS-BASE-35-40-10-20, § 20, dated May 13, 2020 and BOI-IS-BASE-35-40-20, § 240, dated May 13, 2020, the portion of interest that is not deductible by virtue of (i) Article 212 *bis*, I of the French Tax Code under the "30% adjusted tax EBITDA limitation" and/or (ii) Article 212 *bis*, VII of the French Tax Code under the thin-capitalization rules is not to be recharacterized as a "deemed distribution" pursuant to Articles 119 *et seq.* of the French Tax Code and, therefore, is not subject to the withholding tax set out under Article 119 *bis* 2 of the French Tax Code.

In the present case, the limitations set-out above did not trigger the add back of any financial expenses at the level of the Issuer for fiscal year 2020 and 2021.

The limitation by the aforementioned tax rules of our ability to deduct interest accrued on our indebtedness may increase our tax burden and therefore negatively impact our financial condition, results of operations and future cash flows.

We are able to incur substantially more debt under our debt covenants.

We and our subsidiaries are able to incur substantial additional indebtedness. The terms of the Indenture governing the Notes will not fully prohibit us or our subsidiaries from doing so. Our revolving credit facility provides borrowing capacity of up to €350.0 million, all of which would rank equally with the Notes. If we incur any additional indebtedness that ranks equally with the Notes, the holders of that debt will be entitled to share ratably with the holders of the Notes and certain existing indebtedness in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of our company. This may have the effect of reducing the amount of proceeds paid to you. If new debt is added to our current debt levels, the related risks that we and our subsidiaries now face could intensify.

Risks Related to the Notes

Claims of the noteholders will be structurally subordinated to claims of creditors of our subsidiaries, and, as a result, in the event of our dissolution or similar event, we may not be able to satisfy your claims after satisfying the claims of the creditors of our subsidiaries.

The Notes offered hereby will not be initially guaranteed by any of our subsidiaries. Accordingly, claims of holders of the Notes will be structurally subordinated to the claims of creditors of our subsidiaries, including trade creditors. As of June 30, 2021, on an as adjusted basis giving effect to this offering and the application of the proceeds therefrom, our subsidiaries would have had €16.2 million of third-party indebtedness outstanding, excluding the impact of IFRS 16 and capitalized financing costs. Upon a liquidation or other similar event, the obligations of our subsidiaries will have to be

satisfied before any of the remaining assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to holders of the Notes.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

Any default under the agreements governing our indebtedness, including a default under our senior revolving credit facility that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest and other ancillary amounts on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including our senior revolving credit facility), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest and other ancillary amounts, the lenders under our senior revolving credit facility could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under our senior revolving credit facility to avoid being in default. If we breach our covenants under our senior revolving credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our senior revolving credit facility, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation.

Although we will be required to offer to repurchase the Notes upon a change of control, we may not have sufficient financial resources to purchase all Notes that are tendered.

Upon the occurrence of specific kinds of change of control events, including the sale, lease or transfer of "all or substantially" all of our and our subsidiaries' assets, taken as a whole, we will be required to offer to repurchase all outstanding Notes at 101% of their principal amount, plus accrued and unpaid interest. However, we may not have sufficient financial resources to purchase all of the Notes that are tendered upon a change of control offer. Any such failure to repurchase the Notes could constitute a default under the Indenture governing the Notes.

The occurrence of a change of control could also constitute an event of default under our senior revolving credit facility. Our bank lenders may have the right to prohibit any such purchase or redemption, in which event we will seek to obtain waivers from the required lenders under our senior revolving credit facility, but may not be able to do so.

You may not be able to enforce judgments obtained in U.S. courts against the Issuer or any of its directors, officers or subsidiaries.

We are incorporated outside the United States. Most of our directors and executive officers are non-residents of the United States. You may be unable to effect service of process within the United States on our directors and executive officers. In addition, as most of our assets and those of our directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters with France. There is, therefore, doubt as to the enforceability in France of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in France. In addition, the enforcement in France of any judgment obtained in a New York court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a French court would have the requisite power or authority to grant remedies sought in an original action brought in France on the basis of U.S. securities laws violations. For further information, see "*Enforceability of Civil Liabilities*."

There are restrictions on your ability to transfer or resell the Notes, which may have an adverse effect on the value of the Notes.

The Notes are being offered and sold pursuant to exemptions from registration under U.S. and applicable state securities laws. The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and we have not undertaken to effect any exchange offer for the Notes in the future. The Notes and the Indenture will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the safe harbor available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. You may transfer or

resell the Notes in the United States only in a transaction registered under or exempt from the registration requirements of U.S. and applicable state securities laws. Therefore, you may be required to bear the risk of your investment for an indefinite period of time. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Transfer Restrictions*."

Your ability to transfer the Notes may be limited by the absence of an active trading market. There is no assurance that any active trading market will develop for the Notes.

The Notes offered hereby are new issues of securities for which there is no established public market, although we will apply to admit the Notes to trading on the Euro MTF market of Luxembourg Stock Exchange.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable laws and regulations; however, the Initial Purchasers are not obligated to make a market in the Notes, and they may discontinue their market-making activities at any time without notice. Therefore, we cannot assure you that an active market for the Notes will develop or, if developed, that it will continue. Historically, the market for non-investment grade debt has been subject to substantial volatility in the prices of securities similar to the Notes. The market, if any, for the Notes may experience similar volatility. In addition, subsequent to their initial issuances the Notes may trade at discounts from their initial offering price, depending upon prevailing interest rates, the market for similar Notes, our financial and operating performance and other factors.

Your rights as a noteholder will be limited so long as the Notes are issued in book-entry interests.

Owners of the book-entry interests will not be considered owners or holders of the Notes unless and until definitive Notes are issued in exchange for book-entry interests. Instead, the nominee for DTC will be the sole holder of the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the Paying Agent, which will make payments to DTC. Thereafter, such payments will be credited to DTC participants' accounts that hold book-entry interests in the Notes in global form and credited by such participants to indirect participants. After payment to DTC none of us, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to, or to owners of book-entry interests.

Owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes, including enforcement of security for the Notes. Instead, if you own a book-entry interest, you will be reliant on the nominee (as registered holder of the Notes) to act on your instructions and/or will be permitted to act directly only to the extent you have received appropriate proxies to do so from DTC or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis.

The liquidity of the market for the Notes may be diminished if the proposed financial transactions tax or any similar tax were adopted.

On February 14, 2013, the European Commission published a proposal for a Directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia, Slovakia (the "**Participating Member States**") and Estonia. However, Estonia officially announced its withdrawal from the negotiations and, on March 16, 2016, completed the formalities required to leave the enhanced cooperation on FTT.

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances, at a rate of at least 0.1% on all such transactions, generally determined by reference to the amount of consideration paid. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a Participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

Certain aspects of the proposal are controversial and, while the proposal initially identified the date of introduction of the FTT across the Participating Member States as being 1 January 2014, this anticipated introduction date has been extended on several occasions due to disagreement among the Participating Member States regarding a number of key issues concerning the scope and application of the FTT.

On October 10, 2016, the European Commission had been tasked with drafting the legislation to be submitted to the Participating Member States in view of reaching a political agreement on the FTT by the end of 2016. However, no agreement has been found between the Participating Member States so far. The Council of the European Union on Economic and Financial Affairs indicated on December 6, 2016 that the ten Participating Member States (excluding Estonia) agreed to pursue the ongoing work and discussions on the main features of the FTT during the first half of 2017. A written answer given by Pierre Moscovici in the European Parliament, speaking on behalf of the Commission on 8 March 2017, also confirmed that negotiations between Participating Member States on the Commission's proposal are continuing with a number of key areas still open for discussion. On March 11, 2019, the Participating Member States decided to look at the Franco-German proposal for a tax modeled on an existing French levy "whose primary focus is taxing transactions of domestically issued shares." In their road map for strengthening the euro area, the two countries said they aim to conclude negotiations swiftly on the levy at EU level. However, no final agreement has been reached yet.

Accordingly, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of such tax is uncertain. It may therefore be altered prior to any implementation, the effective timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

If the proposed directive or any similar tax is adopted, transactions on the Notes would be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Insolvency laws in France could limit your ability to enforce noteholders' rights under the Notes.

The Issuer is incorporated in France. Consequently, it will be subject to French laws and proceedings affecting creditors, including Article 1343-5 of the French Civil Code (*Code civil*), court-assisted proceedings (*mandat ad hoc* proceedings or conciliation proceedings (*procédure de conciliation*), and court-administered proceedings (being safeguard proceedings (*procédure de sauvegarde*), accelerated safeguard proceedings (*procédure de sauvegarde accélérée*), accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*)), judicial reorganization (*procédure de redressement judiciaire*) or liquidation proceedings (*procédure de liquidation judiciaire*). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit the ability of holders of the Notes to enforce their rights under the Notes.

Under the European Council Regulation (EC) No. 2015/848 on insolvency proceedings as amended, in particular by Regulation (EU) 2018/946 of the European Parliament and of the Council of July 4, 2018, published in the Official Gazette of the European Union on July 6, 2018 which was published in the Official Gazette of the European Union on June 5, 2015 and applies to insolvencies which commenced after 26 June 2017 (subject to certain exceptions), if a debtor is located in the European Union (other than Denmark), French courts shall have jurisdiction over the main insolvency proceedings if the debtor's center of main interests is situated in France. In the case of a debtor that is a legal person, the place of the registered office shall be presumed to be its center of main interests in the absence of proof to the contrary. This presumption however does not apply if the registered office has been moved to another Member State within the 3 month period prior to the request for the opening of insolvency proceedings. In determining whether the center of main interests of a debtor is in France, French courts will take into account a broad range of factual elements..

Insolvency proceedings opened (i) pursuant to the European insolvency regulation (main and secondary proceedings) as well as, (ii) conciliation or insolvency proceedings (x) with respect to debtors that exceed (directly or through the companies under their control) (a) 20 million euros of turnover and 250 employees or (b) 40 million euros of turnover or, (y) or with respect to debtors having their main center of interests within the jurisdiction of such specific courts, are handled by specific bankruptcy courts in France. The court that commences insolvency proceedings with respect to the member of a corporate group has jurisdiction over all the other members of this group. Accordingly, a court can supervise the insolvency proceedings of the whole group and may, for this purpose, appoint the same judicial administrator for all proceedings in respect of all members of the group.

The following is a general discussion of preventive and insolvency proceedings governed by French law for information purposes only and does not address all French law considerations that may be relevant to holders of the Notes.

When the Directive (EU) 2019/1023 of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency) is implemented under French law, which was initially expected to occur by October 2021 (according to the "Pacte" law No. 2019-486 of May 22, 2019), but which has been delayed, some of the below mentioned rules may be substantially amended, including without limitation those applying to creditors' consultation process.

Grace periods

In addition to insolvency laws discussed below, as our creditors the holders of the Notes could also be subject to article 1343-5 of the French Civil Code (*Code civil*).

Pursuant to the provisions of this article, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate (but not lower than the prevailing legal rate as published semi-annually by the French government) or that payments made shall first be allocated to repayment of the principal. A court order made under Article 1343-5 of the French Civil Code will suspend any pending enforcement measures, and any contractual default interest or penalty for late payment will not accrue or be due during the period ordered by the court. Creditors cannot contract out of such grace periods.

With respect to grace periods under Article 1343-5 of the French Civil Code, pursuant to Article L. 611-7 of the French Commercial Code, the debtor put on notice or sued by its creditors retains the right to petition the judge having commenced conciliation proceedings for a grace period in accordance with Article 1343-5 of the French Civil Code and, pursuant to Article L. 611-10-1 of the French Commercial Code, the judge having commenced conciliation proceedings may, during the execution period of a conciliation agreement, impose grace periods on creditors having participated in the conciliation proceedings (other than the tax and social security administrations) for their claims that were not dealt with in the conciliation agreement.

Insolvency test

Under French law, a debtor is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its due debts with its available assets taking into account available credit lines, existing debt rescheduling agreements and moratoria.

The date of insolvency (*état de cessation des paiements*) is generally deemed to be the date of the court ruling commencing the insolvency proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling.

Court-assisted proceedings

These proceedings may only be initiated by the debtor company itself, in its sole discretion; *provided* that it experiences or anticipates legal, economic or financial difficulties:

(i) while still being able to pay its debts as they fall due out of its available assets, taking into account available credit lines, existing rescheduling agreements and debt moratoria (i.e., the company is not insolvent — See "*Insolvency test*" above) in case of *mandat ad hoc* or conciliation proceedings, or

(ii) while having been insolvent for less than 45 days in the case of conciliation proceedings only.

Mandat ad hoc and conciliation proceedings are carried out under the supervision of the president of the court. The competent court (usually the commercial court) will appoint an officer (as the case may be, a *mandataire ad hoc* or a *conciliateur*) in order to help the debtor company reach an agreement with its creditors or stakeholders, in particular by reducing or rescheduling its indebtedness. The debtor may propose, in the filing for the commencement of the proceedings, the appointment of a particular person as court-appointed officer. Such proceedings are informal, confidential (save for their disclosure to the statutory auditors, if any) and non-binding since the court-appointed officer has no power to force the parties to accept an agreement.

Mandat ad hoc proceedings

The proceedings are confidential by law. *Mandat ad hoc* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so for their duration. In any event, the company retains the right to petition the relevant judge for a debt rescheduling pursuant to article 1343-5 of the French Civil Code as described above.

The agreement reached by the parties (if any) is reported to the president of the court but, unlike in conciliation proceedings, the court does not have the power to grant any specific consequences to such agreement. There is no time limit for the duration of *mandat ad hoc* proceedings.

The order of the president of the court appointing a *mandataire ad hoc* is notified for information purposes to the debtor's statutory auditors. However, the debtor is not required to inform the employee representative committee (if any) or the employee representatives of the appointment of the *mandataire ad hoc*.

Conciliation proceedings

The proceedings are confidential by law. The debtor is not required to inform the employee representative committee (if any) or the employee representatives of the opening of the conciliation proceedings. Conciliation proceedings may last up to five months (after an initial period of a maximum of four months, upon request of the conciliator, the court may extend the conciliation period up to the absolute maximum of five months). In case the debtor intends to have the conciliation agreement approved (homologué) or acknowledged (constaté), its request must be filed by the end of this five-month period, even though the hearing can take place afterwards, in which case the conciliation period will be extended until the decision of the president of the court or the court itself.

Pursuant to article 1 of Ordinance n°2020-1443 dated November 25, 2020 adopted in the context of the COVID-19 pandemic, in force as from November 26, 2020, until 31 December 2021, at the request of the conciliator, the duration of conciliation proceedings commenced up to and including December 31, 2021 may be extended, one or more times, by a reasoned decision of the president of the court up to a maximum of ten months.

Due to the COVID-19 epidemic and state of health emergency that was imposed by the French government, Ordinance n° 2020-341 of March 27, 2020, Ordinance n° 2020-596 of May 20, 2020, Ordinance n° 2020-1443 of November 25, 2020 and Law n° 2020-1525 dated December 7, 2020 have, in addition to their duration (see above), further modified conciliation proceedings to provide that, until December 31, 2021:

1. If a creditor does not accept, by the deadline set by the conciliator, a request made by the conciliator to defer payment of his claim for the duration of the conciliation proceedings, the debtor may request from the President of the Commercial Court in ex-parte proceedings, for the duration of the conciliation proceedings:

   (i) the stay or prohibition of any legal action for payment or for termination of a contract for a payment default;

   (ii) the stay or prohibition of any judicial enforcement measure against the debtor's movable or immovable property as well as any judicial procedure relating to the distribution of the debtor's assets that would not have already transferred ownership away from the debtor; or

   (iii) the deferral or rescheduling of the creditor's claim;

2. The debtor may petition the judge that commenced conciliation proceedings for a grace period in accordance with Article 1343-5 of the French Civil Code (see "Grace periods" above) even before the creditor sends any notice to pay or initiates any suit for payment if a creditor does not accept, by the deadline set by the conciliator, a request made by the conciliator to suspend payment of his claim.

If an agreement is reached among the parties in the context of conciliation proceedings, any individual proceedings by creditors with respect to the claims included in the rescheduling agreement are suspended. Provided that the company is not insolvent (See "*Insolvency test*" above), in particular when the agreement puts an end to its insolvency it may be either acknowledged (*constaté*) by the president of the court upon all parties' request or, at the request of the debtor (and *provided* that the agreement does not infringe upon the rights of the non-signatory creditors and it effectively ensures that the company will survive as a going concern), approved (*homologué*) by the court.

While recognition (*constatation*) of the agreement by the president of the court does not entail any specific consequences, other than to render the agreement immediately enforceable and binding upon the parties thereto, its approval (*homologation*) by the court has the following consequences:

(i) creditors who, in the context of the conciliation proceedings, provide new money or goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity in the context of a share capital increase) will enjoy a priority of payment over all pre-commencement and post-commencement claims (other than certain pre-commencement employment claims and procedural costs) (the "**New Money Lien**"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;

(ii) the existence of the conciliation agreement is made public, as well as the terms of the New Money Lien granted to creditors and the guarantees securing the same under the conciliation agreement, the other terms of the conciliation agreement should not be made public but the works council or employee representatives are informed of the content of the agreement;

(iii) when the debtor is submitted to statutory auditing, the conciliation agreement is transmitted to its statutory auditors; and

(iv) in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (see *"Insolvency test"* above), and therefore the starting date of the hardening period (as defined below — see *The "hardening period (période suspecte) in judicial reorganization and liquidation proceedings"*), cannot be set by the court as of a date earlier than the date of the approval (*homologation*) of the agreement by the court, except in case of fraud.

In any case, the court can, at the request of the debtor, appoint the *conciliateur* as a court nominee to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution.

Whether the conciliation agreement is acknowledged or approved, while it is in force:

(i) interest accruing on the affected claims may not be compounded;

(ii) the debtor retains the right to petition the court that commenced the conciliation proceedings for a grace period pursuant to Article 1343-5 of the French Civil Code (see "Grace periods" above) in accordance with Article L. 611-10-1 of the French Commercial Code as explained above; and

(iii) a joint-debtor and a third party which had previously granted credit support (a guarantee or security interest) with respect to the debtor's obligations may benefit from the provisions of the conciliation agreement as well as from grace periods granted to the debtor in the context of conciliation proceedings.

If the debtor breaches the terms of the conciliation agreement, any party to it may petition the president of the court or the court (depending on whether the agreement was acknowledged or approved) for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceedings may be revoked. Conversely, provided the conciliation agreement is duly performed, any individual proceedings by creditors with respect to obtaining payment of the claims dealt with by the conciliation agreement are suspended. The commencement of subsequent safeguard or insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims (decreased by the payments already received) and pre-existing security interests or guarantees.

Conciliation proceedings in which a draft plan is supported by a large majority of creditors which is likely to meet the threshold requirements for creditors' consent in safeguard, will be a mandatory preliminary step of accelerated safeguard proceedings or accelerated financial safeguard proceedings, as described below.

In the event of the adoption of a safeguard plan in the context of safeguard proceedings or of a recovery plan in the context of judicial reorganization proceedings, in either case commenced subsequently to the approval of the conciliation agreement, the court, with respect to claims benefiting from the New Money Lien, will not be able to impose a debt reduction or any payment deferral (the powers of the bondholders general meeting in this respect are however the subject of debate).

At the request of the debtor and after the creditors taking part in the conciliation proceedings have been consulted on the matter, the *conciliateur* may be appointed with a mission to organize the partial or total sale of the debtor which could, in

particular, be implemented in the context of subsequent safeguard, judicial reorganization or liquidation proceedings (being specified that this principle also apply in *mandat ad hoc* proceedings). Provided that they comply with certain requirements, any offers received in this context by the *conciliateur* may be directly considered by the court in the context of safeguard, judicial reorganization or judicial liquidation proceedings after consultation of the State prosecutor.

As a matter of law, any contractual provision that modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of the commencement of conciliation proceedings or of a request submitted to this end, and any contractual provision requiring the debtor to bear, by reason only of the appointment of a *mandataire ad hoc* or of the commencement of conciliation proceedings, more than three-quarters of the fees of the professional advisers retained by creditors in connection with these proceedings, are deemed null and void.

Court-administered Proceedings — Safeguard

A debtor which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, *provided* that it is not insolvent (see *"Insolvency test"* above). Creditors of the debtor are not notified of, nor invited to attend the hearing before the court at which the commencement of safeguard proceedings is requested. Following the commencement of safeguard proceedings, a court-appointed administrator (*administrateur judiciaire*) is (except for small companies where the court considers that such appointment is not necessary) appointed to investigate the business of the debtor during an "observation period" (being the period from the date of the court decision commencing the proceedings to the date on which the court takes a decision on the outcome of the proceedings), which may last up to 18 months. The role of the court-appointed administrator is also to assist the debtor in preparing a draft safeguard plan (*projet de plan de sauvegarde*) that it will circulate to its creditors. Creditors do not have effective control over the proceedings, which remain in the hands of the debtor assisted by the court-appointed administrator. The court-appointed administrator will, in accordance with the terms of the judgment appointing him or her, exercise *ex post facto* control over decisions made by the debtor ("*mission de surveillance*") or assist the debtor to make all or some of the management decisions ("*mission d'assistance*"), all under the supervision of the court. A supervisory judge (*juge-commissaire*) and a creditors' representative (*mandataire judiciaire*) are also appointed at the beginning of the proceedings, alongside the court-appointed administrator. Management decisions that fall outside the scope of the ordinary course of business, as well as decisions considered to be important under statute, require the prior approval of the supervisory judge (e.g. granting security interests or settling disputes).

If, after commencement of the proceedings, it appears that the debtor was insolvent (*en état de cessation des paiements*) before their commencement, at the request of the debtor, the administrator, the creditors' representative or the Public Prosecutor but, in any event, after having heard the debtor, the court may convert the safeguard proceedings into judicial reorganization proceedings.

In addition, pursuant to Article L. 622-10 of the French Commercial Code, the court may convert safeguard proceedings into (i) judicial reorganization proceedings (a) at any time during the observation period if the debtor is insolvent or, (b) in case no plan has been adopted by the relevant creditors' committee and, if any, the bondholders' general meeting (as described below), if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings end or (ii) judicial liquidation proceedings at any time during the observation period if the debtor is insolvent and its recovery is manifestly impossible. In all such cases:

(i) the court may decide at the request of the debtor, the court-appointed administrator, the creditors' representative or the Public Prosecutor and in all such cases with the exception or on its own initiative except in the case of above where:

- the court may not act upon its own initiative; and
- the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the creditors of the debtor appointed by the court as controller ("*Contrôleurs*") (if any), the State prosecutor and the workers' representatives (if any).

As soon as safeguard proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable .

Due to COVID-19 and state of health emergency that was imposed by the French government, Ordinance n° 2020-596 dated 20 May 2020 and Law n° 2020-1525 dated 7 December 2020 modified safeguard proceedings to provide that:

- as an incentive for new financings granted to debtors in the context of safeguard or reorganization proceedings a new safeguard or reorganization privilege is created, applicable exclusively to proceedings commenced between May 22, 2020 and December 31, 2021. The S/R Lien is distinct from the existing statutory preference enjoyed by financing granted, with the approval of the supervisory judge, after commencement of the proceedings, for the needs of the proceedings or of the observation period.
- The S/R Lien applies to all new cash contributions made, with the exception of those made through a share capital increase, by any person:
  - during the observation period, in order to ensure the continuity of debtor's business and its sustainability, in which case such cash contributions must be authorized by the supervisory judge, or
  - for the implementation of the safeguard or reorganization plan, i.e. within the plan as approved or modified by the court, and for the purposes of its execution, it being specified that the judgment must mention all claims benefiting from the privilege, as well as the relevant amounts.

Claims benefiting from the S/R Lien enjoy a priority of payment over pre-commencement and post-commencement claims except with respect to (i) employees' super-privilege claims, (ii) procedural costs and the New Money Lien (iii) pre-commencement claims secured by security interests over real estate assets (only in the context of commencement of judicial liquidation proceedings) and (iv) post-commencement wages claims not advanced by the French wages fund under provisions of article L. 3253-8 to L. 3253-13 of the French Labor Code in the event of on-going or subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings

Such claims may not be termed-out or written-off without the consent of the relevant creditors. During the safeguard proceedings, payment by the debtor of any debts incurred (i) prior to the commencement of the proceedings or (ii) after the judgment commencing the proceedings if not incurred for the purposes of the proceedings, the observation period or in consideration of services rendered/goods delivered to the debtor is prohibited, subject to very limited exceptions. For example, the court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*). In addition, creditors are required to declare to the court-appointed creditors' representative the debts that arose prior to the commencement of the proceedings (as well as the post-commencement non-privileged debts) and are prohibited from engaging any court proceedings against the debtor for any payment default in relation to such debts. Also, the accrual of interest on loans with a term of less than one year (or on payments deferred for less than one year) is stopped. Debts duly arising after the commencement of the safeguard proceedings and which relate to expenses necessary for the debtor's business activities during the observation period, debts which are incurred for the requirements of the proceedings, or which are incurred in consideration for services rendered or goods delivered to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the safeguard proceedings (with certain limited exceptions, such as certain employee claims and claims secured by a New Money Lien) provided that they are duly made known to, as the case may be, the judicial administrator, the creditors' representative or the plan commissioner within one year of the end of the observation period.

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the plan (debt forgiveness and payment terms) prior to the plan being approved by the court. The rules governing consultation will vary depending on the size of the business.

Standard consultation: this applies to debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant or, if they are, who have less than 150 employees or less than €20 million of turnover unless, upon theirs or the administrator's request and with the consent of the court, they are subject to the committee-based consultation (see below).

In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who obtains the agreement of each creditor who filed a claim, regarding the debt remissions and payment times proposed. Creditors are consulted individually or collectively.

French law does not state whether the debt settlement proposals can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at this consultation stage. According to legal commentaries and established practice, differing treatment as between creditors is possible, *provided* that it is justified by the difference in situation of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the

consultation stage to make a proposal for a partial payment of claims over a shorter time period instead of a full payment of such claims over ten years.

Pursuant to article 5 of Ordinance No. 2020-596 dated 20 May 2020 adopted in the context of the COVID-19, in force from May 21, 2021 and Law n° 2020-1525 dated December 7, 2020 until December 31, 2021, the maximum length of a plan can be extended to 12 years, or 17 years for agricultural businesses:

- this extension may result from a decision of the court (i) upon request of the public prosecutor or of the commissioner appointed to supervise the performance of the plan without having to comply with the process that applies to substantial modifications of the plan (*modification substantielle du plan*) or (ii) taken through the process that applies to substantial modifications of the plan; and

the initial payment instalment shall be adapted by the president of the court or the court to the duration of the plan so extended, without having to comply with the provisions of Article L. 626-8 (including the obligation to pay an annual instalment of 5% minimum as from year 3) and they may order certain grace periods pursuant to article 1343-5 of the French Civil Code within the limit of the new term of the plan so extended.

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not required to be consulted.

Creditors which do not respond within 30 days of the debt settlement proposal being made to them in writing are deemed to have accepted it (except for any debt-for-equity swap which requires the relevant creditor's individual acceptance). The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

Pursuant to Article 4 of Ordinance No. 2020-596 dated May 20, 2020 adopted in the context of the COVID-19, in force from May 21, 2021 and Law n° 2020-1525 dated December 7, 2020 , until December 31, 2021, the abovementioned 30-day delay may be reduced to 15 days, at the request of the court-appointed administrator or the court-appointed creditors' representative.

Within the framework of a standard consultation, if the creditors refuse the proposals that were submitted to them, the court that approves the safeguard plan (*plan de continuation*) can impose on them a uniform rescheduling of their claims (subject to the specific regime of claims benefiting from the New Money Lien or the S/R Lien) over a maximum period of ten years (except for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no write-off of any claim or debt-for-equity swap may be imposed without the relevant creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual installment must be of at least 5% of the total amount of the debt claim) or the year following the initial maturity of the claim if it is later than the date of the first anniversary of the adoption of the plan, in which case the amount of the payment is equal to what the creditor would have received had he been paid in accordance with the uniform payment rescheduling applying to the other creditors.

Committee-based consultation: This applies to large companies, whose accounts are certified by a statutory auditor or established by a chartered-accountant and with more than 150 employees or a turnover greater than €20 million, or with the consent of the court in the case of debtors that do not exceed the aforementioned thresholds.

The consultation involves the submission of a proposed safeguard plan for consideration by two creditors' committees which are established by the court-appointed administrator on the basis of the claims that arose prior to the judgment commencing the proceedings:

- one for credit institutions or assimilated institutions and entities having entered into (or their successors or assignees of a claim acquired from a supplier) a credit transaction with the debtor (the credit institutions committee); and

- the other one for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers and other suppliers invited to participate in such committee by the court-appointed administrator (the major suppliers committee).

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes and including capital market debt instruments such as the Notes), a single general meeting of all holders of such debt securities will be established (the bondholders general meeting), in which all such holders are to take part irrespective of whether or not there are different issuances or of the governing law of those *obligations*.

As a general matter, only the legal owner of the debt claim will be invited onto the committee or general meeting. Accordingly, a person holding only an economic interest therein may not itself be a member of the committee or general meeting (e.g. book entry interest holder).

The proposed plan:

- must "take into account" subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may, *inter alia*, include a rescheduling or cancellation of debts (subject to the specific regime of claims benefiting from the New Money Lien or the S/R Lien), and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

If the plan provides for a share capital increase, the shareholders may subscribe to such share capital increase by way of a set-off against their claims against the debtor (as reduced according to the provisions of the plan, where applicable).

Creditors which are members of the credit institutions committee or the major suppliers committee may also prepare an alternative safeguard plan that will also be put to the vote of the committees and of the general bondholders meeting, it being specified that approval of any such alternative plan is subject to the same two-thirds majority vote in each committee and in the bondholders general meeting and gives rise to a report by the court-appointed administrator (*administrateur judiciaire*). Bondholders are not permitted to present their own alternative plan.

The committees must approve or reject the safeguard plan within 20 to 30 days of its submission. The period may be extended or shortened but may never be shorter than 15 days. The plan must be approved by a majority vote of each committee (two-thirds of the outstanding claims of the creditors casting a vote).

Each member of a creditors committee or of the bondholders general meeting must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to: (i) the exercise of its vote; or (ii) the full or total payment of its claim by a third party as well as of any subordination agreement. The court-appointed administrator shall then submit to such person a proposal for the computation of its voting rights in the creditors committee/bondholders general meeting. In the event of disagreement, the matter may be ruled upon by the president of the Commercial Court in summary proceedings at the request of the creditor or of the court-appointed administrator.

The amounts of claims secured by a trust (*fiducie*) granted by the debtor do not give rise to voting rights. In addition, creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not need to be consulted on the plan nor take part in the vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders general meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the bondholders general meeting, and determination of the rescheduling of the claims of creditors that are not members of the committees or bondholders (see below), the plan has to be approved (*arrêté*) by the court. The court must verify that the interests of all creditors are "sufficiently protected" and that required shareholders consent (if applicable) has been obtained. Once so approved by the relevant court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan).

Creditors outside the creditors' committees or the bondholders general meeting are consulted in accordance with the standard consultation process referred to above.

If the debtor's proposed plan is not approved by both committees and the bondholders general meeting within the first six months of the observation period (either because they do not vote on the plan or because they reject it), this six month period may be extended by the court at the request of the court-appointed administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee-based consultation process.

Absent such extension, the court can still adopt a safeguard plan within the time remaining until the end of the observation period. In such a case, the rules are the same as those applicable to the standard consultation process described above.

If the draft plan provides for a modification of the share capital or the by-laws, the court may decide that the shareholders general meeting and, as the case may be, the general meetings of the holders of securities giving access to the share capital of the company shall vote, the first time the relevant meeting is convened, at a simple majority of the votes of the shareholders attending, or represented at, the meeting, provided that they hold at least half of the shares with voting rights. The second time the meeting is convened, the usual provisions relating to quorum and majority shall apply.

If the court adopts a safeguard plan, it can set a time-period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

If no proposed safeguard plan whatsoever is adopted by the committees, at the request of the debtor, the court-appointed administrator, the *mandataire judiciaire* or the State prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

Specific case — Creditors that are public institutions: public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted under normal market conditions by a private economic operator placed in a similar position. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors are consulted under specific conditions, within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

Court-administered Proceedings — Accelerated Safeguard and Accelerated Financial Safeguard

A debtor which is the subject of conciliation proceedings may request the commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) or accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*) enabling it to implement a restructuring plan in an expedited fashion through the vote of its creditors gathered in its relevant creditors' committees and the bondholders' general meeting (as applicable) at a two-thirds majority.

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to "fast-track" difficulties faced by large companies, i.e. those:

- which publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code; or
- which publish accounts certified by a statutory auditor or established by a certified public accountant and have: (i) more than 20 employees; or (ii) a turnover greater than €3 million (excluding VAT) or (iii) whose total balance sheet exceeds €1.5 million.

However, Ordinance n° 2020-596 dated May 20, 2020 and Law n° 2020-1525 dated December 7, 2020 provide that these thresholds will no longer be required for proceedings commenced between May 22, 2020 and December 31, 2021.

If the debtor does not meet the conditions that require creditors' committees (see above) to be constituted, the court shall authorize such constitution in the opening decision commencing the proceedings.

The regime applicable to standard safeguard proceedings is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings (for example, creditors will be consulted by way of a committee-based consultation on, as the case may be, a draft accelerated safeguard plan (*projet de plan de sauvegarde accélérée*) or a draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*), and creditors which are members of the credit institutions committee or the major suppliers committee, but not bondholders, may also prepare alternative draft plans as described above (see "committee-based consultation")), to the extent compatible with the accelerated timing, since the total duration of accelerated safeguard proceedings is three months and the duration of accelerated financial safeguard proceedings is only one month (unless the court decides to extend it by an additional month).

In particular, the creditors' committees and the bondholders general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being notified to them in the case of accelerated safeguard proceedings, or within eight days in the case of accelerated financial safeguard proceedings.

However, certain provisions relating to ongoing contracts and to the recovery of assets by their owners do not apply in accelerated safeguard or accelerated financial safeguard proceedings.

The plan in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital of the debtor (debt-for-equity swaps requiring relevant shareholders consent). No debt rescheduling or cancellation may be imposed, without their consent, on creditors that do not belong to one of the committees or are not bondholders.

While accelerated safeguard proceedings apply to all creditors, accelerated financial safeguard proceedings apply only to "financial creditors" (i.e., creditors that belong to the credit institutions committee and bondholders general meeting), the payment of whose debt is suspended until adoption of a plan through accelerated financial safeguard proceedings. The debtor will be prohibited from paying, to any creditor to whom the accelerated safeguard or accelerated financial safeguard proceedings (as the case may be) apply, any amounts (including interest) relating to debts incurred (i) prior to the commencement of the proceedings or (ii) after their commencement and during the observation period if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered or goods delivered to the debtor. Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

To be eligible to accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfill four conditions:

- the debtor must not have been insolvent for more than 45 days when it initially applied for commencement of conciliation proceedings;
- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of the proceedings;
- as is the case for regular safeguard proceedings, the debtor must face difficulties which it is not in a position to overcome; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern which is supported by enough of its creditors involved in the proceedings to render likely its adoption by the relevant committees within a maximum of three months following the commencement of accelerated safeguard proceedings (or within a maximum of up to two months following the commencement of accelerated financial safeguard proceedings).

If a plan is not adopted by the creditors and approved by the court within the applicable deadline, the court shall terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process. Ordinance n° 2020-596 dated May 20, 2020 and Law n° 2020-1525 dated December 7, 2020 provide that for proceedings commenced between May 22, 2020 and December 31, 2021, if a plan is not adopted by the creditors and approved by the court within the applicable deadline the debtor, the judicial administrator, the creditors representative or the public prosecutor may request, without any delay, that reorganization or liquidation proceedings (as the case may be) be opened.

The list of claims of creditors party to the conciliation proceedings certified by the statutory auditor shall be deemed to constitute the filing of such claims for the purpose of accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).

Judicial Reorganization or Liquidation Proceedings

Judicial reorganization (*redressement judiciaire*) or liquidation proceedings (*liquidation judiciaire*) may be initiated against or by a debtor only if it is insolvent and, in the case of liquidation proceedings only, if the debtor's recovery is manifestly impossible. The debtor is required to petition for judicial reorganization or liquidation proceedings (or for conciliation proceedings, as discussed above) within 45 days of becoming insolvent; *de jure* managers (including directors) and, as the case may be, *de facto* managers are exposed to civil liability if they have deliberately failed to file such a petition within the deadline and to financial liability in the event that such failure contributed to increase the state of cessation of payment of the debtor or leads to the commencement of a subsequent judicial liquidation proceedings.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings which it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the judicial reorganization proceedings observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), a controller, the State prosecutor or upon its own initiative, the court may convert the judicial reorganization proceedings into judicial liquidation proceedings in the event that the turnaround of the company is obviously impossible. In all cases, the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the State prosecutor, the workers' representatives (if any) or the controller creditor(s) (if any).

In the event of judicial reorganization proceedings, an administrator (*administrateur judiciaire*) is usually appointed by the court to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals either for the reorganization of the debtor (by helping the debtor to elaborate a draft judicial reorganization plan, which is similar to a safeguard plan), or the sale of the business or the liquidation of the debtor. The court-appointed administrator will assist the debtor in making management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the debtor (*mission d'administration*).

Committees of creditors and a bondholders general meeting may be created under the same conditions as in safeguard proceedings (see above). Reorganization proceedings broadly take place in a manner that is similar to safeguard proceedings (see above), subject to certain specificities. In particular, the rules relating to creditor consultation, especially the powers of the court adopting the judicial reorganization plan (*plan de redressement*) in the event of rejection by the creditors of proposals made to them in the context of a draft judicial reorganization plan (*projet de plan de redressement*) (either following a standard consultation or a committee-based consultation) are the same (see above). At any time during the observation period, the court can order the liquidation of the debtor if its recovery is manifestly impossible. At the end of the observation period, the outcome of the proceedings is decided by the court.

In addition, Ordinance n° 2020-596 dated May 20, 2020 modified the judicial reorganization proceedings to provide for the new S/R Lien.

In judicial reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by Article L.626-3 of the French Commercial Code, the administrator may appoint a trustee (*mandataire en justice*) to convene a shareholders' meeting and to vote on behalf of the shareholders which refuse to vote in favor of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the recovery plan.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls (within the meaning of the French Labor Code) one or more companies having together at least 150 employees, (ii) the disappearance of the company is likely to cause serious harm to the national or regional economy and (iii) the modification of the company's share capital seems to be the only credible way to avoid harm to the national or regional economy and to allow the continued operation of the business as a going concern, then following (x) the review of the options for a total or partial sale of the business and at the request of the court-appointed administrator or of the State Prosecutor and (y) at least 3 months having elapsed as from the court decision commencing the proceedings, provided that the shareholders meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either:

i. appoint a court officer (*mandataire*) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan; or

ii. order, in favor of the persons who have undertaken to perform the reorganization plan, the sale of all or part of the share capital held by the shareholders having refused the share capital modification and holding, directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholder meetings; the other shareholders have the right to withdraw from the company and to request simultaneously that their shares be purchased by the transferees. Any consent clause is deemed unwritten.

Pursuant to the provisions of article L. 631-19 of the French Commercial Code, should the draft reorganization plan provide for a change in the equity structure or a transfer of shares, approval clauses (*clauses d'agrément*) are deemed null and void.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by an expert designated by the court in summary proceedings.

In either of the above cases, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

If the proposed reorganization plans are manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court, upon the request of the court-appointed administrator, can order the total or partial transfer of the business.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). No maximum time period is provided by law to limit the duration of the judicial liquidation process (except with respect to simplified judicial liquidation proceedings). The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management. There is no observation period in judicial liquidation proceedings.

Concerning the liquidation of the assets of the debtor, there are two possible outcomes:

- an asset sale plan (in which case a court-appointed administrator (*administrateur judiciaire*) will usually be appointed to manage the debtor and organize such sale of the business) any third party (as construed under French insolvency law) being entitled to present a bid on all or part of the debtor's business.

  As part of the bids submitted to the court, the third-party purchaser can cherry-pick assets (including the real estate assets)/jobs/contracts without the liabilities pertaining to them (save exceptions). The price offered for the transferred assets (including the real estate assets) is usually at a significant discount compared to their going-concern market value. The court will tend to favor a credible sale plan, that ensures the sustainability of the business as a going concern, and the preservation of jobs, over the payment of creditors.

  Subject to certain exceptions, the court can judicially impose such a sale plan on creditors, including secured creditors and mortgagees as a general principle, the payment of the purchase price operating to release their security interests. By way of exception:

  - a purchaser is obliged to continue to pay the remaining instalments due to creditors having granted financing for the acquisition of assets, used as collateral for such creditors and included in the sale of the business plan; and
  - only those secured creditors benefitting from a retention right (which is the case for pledges over inventory or certain types of pledges over shares, but not mortgages over real estate assets) would be entitled to retain their security interest over the asset on which they have such right (and therefore in practice prevent its sale) until repaid in full of their claim so secured or unless reaching an agreement with the relevant parties.
  - third-party purchasers may also submit combined bids in respect of all or part of the business of several debtors subject to insolvency proceedings, in particular when the key assets are located in different legal entities subject to insolvency proceedings. Again, the price offered for the transferred assets could be significantly less than their going-concern market value;

- a sale of the individual assets of the debtor, in which case the liquidator may decide to:
  - launch auction sales;
  - sell on an amicable basis each asset for which spontaneous purchase offers have been received, (the formal authorization of the supervisory judge being necessary to conclude the sale agreement with the bidder); or

- request, under the supervision of the supervisory judge, from all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*).

If the court adopts a reorganization or sale plan, it can set a time-period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without the court's consent.

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets;
- in the event where there are insufficient funds to pay off the creditors, by appointing a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

The "*hardening period" (période suspecte) in judicial reorganization and liquidation proceedings*

The date of insolvency (*cessation des paiements*) of a debtor is deemed to be the date of the court order commencing the proceedings, unless the court sets an earlier date, which may be no earlier than 18 months before the date of such court order. Also, except in the case of fraud, the insolvency date may not be set at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings (see above). The insolvency date is important because it marks the beginning of the "*période suspecte*" (hardening period), being the period from the insolvency date of the debtor to the court decision commencing the judicial reorganization or liquidation proceedings affecting it.

Certain transactions entered into during the hardening period are automatically void or voidable by the court.

- Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no or for nominal consideration, contracts under which the obligations of the debtor significantly exceed the reciprocal obligations of the other party, payments of debts not due at the time of payment, payments of debts that are due made in a manner which is not commonly used in the ordinary course of business and security granted for previously incurred obligations, provisional attachment or seizure measures (unless the attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as security for a debt simultaneously incurred), any deposit pursuant to article 2350 of the French civil code, any amendment to a trust arrangement (*fiducie*) that affects assets or rights already transferred in the trust as security for debt incurred prior to such amendment, and a declaration of non-seizability (*déclaration d'insaisissabilité*).
- Transactions which are voidable by the court include payments made on debts that are due, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the hardening period, in each case if the court determines that the creditor knew that the debtor was insolvent at the relevant time. Transactions relating to the transfer of assets for no consideration and notarized declarations of exemption of assets from seizure pursuant to Article L. 526-1 of the French Commercial Code are also voidable when entered into during the six-month period prior to the beginning of the hardening period.

Unlike automatically void transactions, which must be set aside by the court if so requested, the court has discretion to decide whether or not it is appropriate to set aside transactions that are only "voidable". There is no hardening period prior to safeguard, proceedings or to successful accelerated safeguard or accelerated financial safeguard proceedings

Status of Creditors during Safeguard, Accelerated Safeguard, Accelerated Financial Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings

Contractual provisions pursuant to which the commencement of the safeguard or insolvency proceedings triggers the acceleration of the debt (except with respect to judicial liquidation proceedings in which the court does not order the continued operation of the business) or the termination or cancellation of an ongoing contract are not enforceable against the debtor. Nor are "*contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings*" (in accordance with a decision of the French Supreme Court dated January 14, 2014, n° 12-22.909, which case law was extended to safeguard by a decision of the French Supreme Court dated 22 February 2017, n° 15-15.942, and which is likely to be extended to accelerated safeguard or accelerated financial safeguard proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. Conversely, the court-appointed administrator can require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-petition contractual obligations (and *provided* that, in the case of judicial reorganization or judicial liquidation proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a "plan for the sale of the business" (*plan de cession*) (which it may do for a period of three months, renewable once); in such case, the acceleration of the obligations will only occur on the date of the court decision adopting the "plan for the sale of the business" or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year (however, accrued interest can no longer be compounded);
- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (*connexes*) debts and payments authorized by the supervisory judge (*juge commissaire*) to recover assets for which recovery is justified by the continued operation of the business);
- the debtor is prohibited from paying debts having arisen after the commencement of the proceedings, unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;
- debts duly arising after the commencement of the proceedings and which were incurred for the purposes of the proceedings or of the observation period, or in consideration of services rendered/goods provided to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the proceedings (with certain limited exceptions, such as claims secured by a New Money Lien or a S/R Lien), provided that they are duly brought to the attention of the judicial administrator or, failing one, then creditors' representative, or, should they both have ceased to be in office, the plan commissioner or the judicial liquidator within one year of the end of the observation period;
- creditors (only financial creditors as far as accelerated financial safeguard is concerned) may not initiate or pursue any individual legal action against the debtor (or, during the observation period, against a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard, accelerated safeguard, accelerated financial safeguard proceedings or judicial reorganization proceedings) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:
  - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due in order to file a proof of claim, as described below);
  - to terminate a contract for non-payment of amounts owed by the creditor; or
  - to enforce the creditor's rights against any assets of the debtor except (i) in judicial liquidation proceedings, by way of judicial foreclosure (*attribution judiciaire*) of pledged assets or (ii) where such asset — whether tangible or intangible, movable or immovable — is located in another

Member State within the European Union, in which case the rights *in rem* of creditors thereon would not be affected by the insolvency proceedings, in accordance with the terms of Article 8 the EU Insolvency Regulation; (provided no secondary proceedings are commenced in such Member State). Similarly, the rights of a creditor on the debtor's assets located outside France and the EU would only be affected by the French insolvency proceedings if they were to be recognized by the local courts where the assets at stake are located (unless provided otherwise in a treaty to which France is a party).

- in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (*contrats en cours*), will be required.

However, a natural person that is the guarantor of the debtor may avail itself of the provisions of a safeguard plan ("*plan de sauvegarde*") once it has been sanctioned by the Court but not of the provisions of a judicial reorganization plan ("*plan de redressement*") of a debtor that has been subject to judicial reorganization proceedings.

In accelerated safeguard and accelerated financial safeguard proceedings, the above rules only apply to the creditors that fall within the scope of the proceedings (see above).

As a general rule, creditors domiciled in metropolitan France whose debts arose prior to the commencement of the proceedings must file a claim with the court-appointed creditors' representative within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside metropolitan France. Creditors must also file a claim for the post-commencement non-privileged debts, with respect to which the two or four month period referred to above starts to run as from their maturity date. Creditors on whose behalves no claims have been submitted during the relevant period are, except for limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferential creditors under French law.

Where the debtor has informed the creditors' representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors' representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on their behalf until the supervisory judge rules on the admissibility of the claim. They may also file their own proof of claim within the deadlines described above.

In accelerated safeguard and accelerated financial safeguard proceedings however, the debtor draws a list of the claims of its creditors having taken part in the conciliation proceedings, which is certified by its statutory auditors or accountant. Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust if necessary the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Creditors who did not take part in the conciliation proceedings would have to file their proofs of claim within the aforementioned deadlines.

In accelerated financial safeguard proceedings, debts owed to creditors other than banks, financial institutions or bondholders continue to be payable in the ordinary course.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan.

If the court adopts a "plan for the sale of the business" (*plan de cession*) of the debtor in judicial reorganization or judicial liquidation proceedings, the proceeds of the sale will be allocated towards the repayment of its creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator (usually the former creditor's representative) in charge of selling the assets of the debtor and settling the relevant debts in accordance with their ranking. However, in practice, where the sale of the business is considered, the court will usually appoint a court-appointed administrator to manage the debtor during the temporary continuation of the business operations (see above) and to organize the sale of the business process.

If the court adopts a "plan for the sale of the business," it can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-petition legal costs (essentially, court officials fees), creditors who benefit from a New Money Lien or a S/R Lien (see above), post-petition creditors and the French State (taxes and social charges). In the event of judicial liquidation proceedings

only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post-commencement creditors. This order of priority does not apply to all creditors, for example it does not apply to creditors benefiting from a retention right over assets with respect to their claim related to such asset.

As soon as safeguard or insolvency proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

Creditor liability

Pursuant to article L. 650-1 of the French Commercial Code as interpreted by case law, where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor only if the granting of such facilities was wrongful, in the case of: (i) fraud; (ii) interference with the management of the debtor; or (iii) if the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable in such circumstances can be cancelled or reduced by the court.

New COVID-19 regulation

Due to the COVID-19 pandemic, certain temporary measures have been enacted by the French Government to adapt French insolvency law to the health crisis, in particular:

- until December 31, 2021, pursuant to article 1 of Ordinance n°2020-1443 dated November 25, 2020 in force as of November 26, 2020, at the request of the conciliator, the duration of conciliation proceedings may be extended one or more times, by a reasoned decision of the president of the court, up to a maximum of ten months (see "—Conciliation Proceedings" above);
- article 124 of Law n°2020-1525 dated December 7, 2020, in force as from December 8, 2020 extends until December 31, 2021 the following measures that were initially adopted by Ordinance n°2020-596 dated May 20, 2020, in force as from 21 May 2020 that were due to expire on December 31, 2020;
- additional specific measures aimed at protecting debtors and an adaptation of the provisions governing grace periods in the context of conciliation proceedings (see "—Conciliation Proceedings" and "—Grace Periods" above);
- the loosening of the conditions for eligibility to Accelerated Safeguard Proceedings and Accelerated Financial Safeguard Proceedings (see *"—Accelerated Safeguard Proceedings*" above);
- the supervisory judge's right, at the request of the court-appointed administrator or the creditors' representative, to reduce from 30 to 15 days of receipt of the debt settlement proposal the deadline during which creditors can respond to a debt settlement proposal in the context of a standard consultation for the approval of a safeguard or reorganization plan (see "—Adoption of the Safeguard or Reorganization Plan" above);
- the possible up to two-year extension of the duration of the safeguard or reorganization plan, as a result of which such a plan can now last up to 12 years (see "*—Adoption of the Safeguard or Reorganization Plan*" above); and
- the grant of a special privilege for creditors that make new cash contributions to the debtor during the observation period of safeguard proceedings, the accelerated safeguard proceedings, the accelerated financial safeguard proceedings or the reorganization proceedings in order to ensure the continuation of the company's business and its survival and for those who undertake to make such contribution for the execution of the safeguard or reorganization plan ordered or modified by the court (the "S/R Lien" (see "*– Judicial Reorganization or Liquidation Proceedings"* above).

Due to the COVID-19 pandemic, these rules may be further adapted and additional measures may be put in place within the following weeks or months, which may have an impact on French insolvency law.

USE OF PROCEEDS

The gross proceeds from the issuance of the Notes offered hereby is $700.0 million, before deducting estimated fees and expenses incurred in connection with the offering of the Notes.

We intend to use the gross proceeds of this offering to: (i) redeem our outstanding Senior Notes due 2025; (ii) fund cash to our balance sheet for general corporate purposes, and (iii) pay fees and expenses related to the Notes offering.

The following table sets forth the sources and uses of funds in connection with the offering:

Sources of Funds	**(in $ thousands)**	**Uses of Funds**	**(in $ thousands)**
Notes offered hereby	700,000	Refinancing of the Senior Notes due 2025[(1)]	500,000
		Accrued interest[(2)]	12,526
		Call premium[(3)]	9,140
		Fund cash to balance sheet[(4)]	171,334
		Estimated transaction fees and expenses[(5)]	7,000
Total Sources	700,000	**Total Uses**	700,000

(1) Represents the amount (excluding accrued and unpaid interest) necessary to repay outstanding principal amount of the Senior Notes due 2025 that we expect to redeem with a part of the gross proceeds of this offering of the Notes.

(2) Represents accrued interest reflected on our balance sheet up to September 20, 2021. It includes $12.187 million accrued interest to be paid to the holders of the Senior Notes due 2025 on September 15, 2021.

(3) Assumes the Senior Notes due 2025 are redeemed at a redemption price equal to 101.828% as of September 20, 2021.

(4) Represents amounts that will be used to fund general corporate purposes.

(5) Represents estimated aggregate financing and other professional fees and expenses paid or payable in connection with the offering of the Notes. Some of the Initial Purchasers or their affiliates may be holders of our Senior Notes due 2025, and therefore may receive a portion of the net proceeds of this offering. Certain of the Initial Purchasers or their affiliates are also agents, arrangers and/or lenders under our senior revolving credit facility and, as a result, will receive a portion of the net proceeds of this offering.

CAPITALIZATION

The following table sets forth the cash and cash equivalents and capitalization of the Issuer, as derived from our audited consolidated financial statements as at and for the six months ended June 30, 2021, on an actual basis and on an adjusted basis to give effect to the issuance of the Notes offered hereby and the application of the proceeds thereof as described under "*Use of Proceeds*."

This table should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the audited consolidated financial statements as of and for the six months ended June 30, 2021 and notes thereto, included elsewhere in this Offering Memorandum.

	As of June 30, 2021	
	Actual	As Adjusted
	(in € thousands)[7]	
Gross cash and cash equivalents (including cash management financial assets)	289,333	438,062
Total debt (including current portion):		
Revolving Credit Facility	—	—
Senior unsecured term loan	180,000	180,000
Senior Notes due 2025[1]	420,734	—
Senior Notes due 2026[2]	350,000	350,000
Senior Notes due 2029[2]	350,000	350,000
Notes offered hereby	—	589,027
Capitalized financing costs[3]	(15,787)	(12,670)
Other indebtedness[4]	161,129	159,286
Lease Liability[5]	38,243	38,243
Total debt (including current portion)	1,484,319	1,653,886[6]
Total shareholders' equity	1,766,949	1,741,316
Total capitalization	3,251,268	3,395,202

(1) The Senior Notes due 2025 will be repaid in full with the proceeds of the offering of the Notes offered hereby.

(2) The Senior Notes due 2026 and the Senior Notes due 2029 will not be redeemed with the proceeds of the offering of the Notes offered hereby and will remain outstanding in full. See "*Description of Other Indebtedness—Senior Notes due 2029 and Senior Notes due 2026.*"

(3) In compliance with IFRS, estimated costs or income associated with the issuance of the Notes offered hereby are capitalized and are presented as a deduction from or addition to our total debt. This capitalized amount will be amortized over the life of the Notes offered hereby.

(4) Our other indebtedness includes borrowings by the Issuer, SNF HC, SNF (China) Flocculant Co., Limited, ("**SNF China**"), SNF (UK) Limited ("**SNF UK**") and SNF India Private Limited ("**SNF India**") working capital facilities at our Japanese subsidiary and several small working capital facilities at our other subsidiaries. Other indebtedness also includes accrued interest reflected on our balance sheet. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.*" Other indebtedness also includes the remaining impact of IFRS 9 of €4.1 million as of June 30, 2021 (related to the first-time adoption of IFRS 9 (on January 1, 2018)) and the impact of IFRS 9 of €nil million as adjusted for the Transaction.

(5) Includes all leases under IFRS 16.

(6) Adjusted for the IFRS 9 write off, previous financing costs related to the Senior Notes due 2025 and payment of accrued interest on the Senior Notes due 2025 from June 30, 2020 to the redemption date of September 20, 2021, and taking into account deferred tax impact.

(7) Amounts have been translated at €1.1884 to $1.00, which is the closing exchange rate for the euro and U.S. dollars given by the Banque de France as of June 30, 2021.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information presented below was derived from our audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and from our unaudited, condensed financial statements as of and for the six months ended June 30, 2020 and 2021. The results as of and for the six months ended June 30, 2021, as well as for the twelve months as of and ended June 30, 2021, are not necessarily indicative of the results that may be expected for the fiscal year ended December 31, 2021, or any future period. Our consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union.

This selected historical financial information is not necessarily indicative of our future results of operations or financial condition and should be read together with our consolidated financial statements and related notes contained elsewhere in this Offering Memorandum and with the information set forth under "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Use of Proceeds*" and "*Capitalization*."

	(Audited) Year Ended December 31,			(Unaudited) Six Months Ended June 30,		(Unaudited) Twelve Months Ended June 30,
	2018	2019	2020	2020	2021	2021
	(in € thousands)					
Summary Consolidated Income Statement Data[1]						
Revenue, net	3,023,290	3,358,147	2,982,121	1,573,017	1,676,275	3,085,379
Raw materials and transportation costs[2]	(2,026,276)	(2,120,928)	(1,791,121)	(931,301)	(1,047,429)	1,907,249
Gross profit	997,015	1,237,219	1,191,000	641,716	628,846	1,178,130
Production costs	(490,669)	(588,836)	(593,020)	(302,143)	(317,845)	(608,722)
Marketing & distribution costs	(120,102)	(132,727)	(133,355)	(64,308)	(68,102)	(137,149)
Local supporting R&D	(45,364)	(49,329)	(52,088)	(25,927)	(25,646)	(51,807)
General & administrative costs	(69,786)	(74,887)	(78,347)	(43,776)	(41,018)	(75,589)
Selling, general & administrative costs	(235,252)	(256,943)	(263,789)	(134,011)	(134,766)	(264,544)
EBIT (Recurring operating income)[3]	271,094	391,440	334,191	205,562	176,235	304,864
Depreciation, amortization and changes to provisions	(151,957)	(183,539)	(217,710)	(106,306)	(105,253)	(216,657)
EBITDA[4]	423,051	574,979	551,901	311,869	281,487	521,519
Non-recurring income/(loss)	(26,981)	(21,750)	(66,083)	(21,618)	(14,945)	(59,410)
Financial income/(loss)	(78,353)	(39,162)	(86,553)	(47,480)	(604)	(39,677)
Income from non-consolidated subsidiaries	504	441	698	96	3,167	3,769
Tax on income	(43,736)	(68,944)	(43,046)	(32,651)	(32,704)	(43,099)
Income after tax	122,528	262,025	139,208	103,909	131,148	166,447
Net income – attributable to non-controlling interests	(3,634)	(4,957)	(6,156)	(3,511)	(1,505)	(4,150)
Net income – attributable to SPCM	118,894	257,068	133,051	100,399	129,643	162,295

	Audited At December 31,			(Unaudited) At June 30,
	2018	2019	2020	2021
	(in € thousands)			
Summary Consolidated Balance Sheet Data[1]				
Goodwill	62,528	78,479	71,858	73,607
PPE and right of use lease assets	1,815,365	2,048,144	1,989,549	2,065,879
Gross cash and cash equivalents (including cash management financial assets in 2019)	207,126	240,579	439,092	289,333
Total assets	3,431,402	3,812,447	3,803,092	4,098,700
Working capital[5]	686,137	708,153	631,075	819,217
Shareholders' equity	1,287,849	1,564,499	1,568,781	1,766,949
Borrowings and lease liabilities[6]	1,452,925	1,456,452	1,532,791	1,484,319

(1) The figures presented in this table are extracted from our consolidated financial statements that are included elsewhere in this Offering Memorandum.

(2) "Raw materials and transportation costs" corresponds to "Cost of sales" in our audited consolidated financial statements as of and for the year ended December 31, 2020 and our unaudited, condensed financial statements as of and for the six months ended June 30, 2021. This includes certain indirect costs, including wages, various fees, depreciation and amortization.

(3) EBIT corresponds to Recurring operating income, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Basis of Presentation*" for a correspondence to our audited financial statements.

(4) EBITDA is defined as EBIT (Recurring operating income) plus depreciation, amortization and changes to provisions. EBITDA is not a recognized financial measure under IFRS, and you should not consider it an alternative to the applicable IFRS financial measures. See "*Presentation of Financial Information*." The table below shows the reconciliation of EBITDA from EBIT (Recurring operating income).

(5) Working capital is defined as inventories plus trade receivables less trade payables.

(6) Borrowings is defined as total debt, which is the sum of current and non-current borrowings.

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

You should read the following discussion in conjunction with the consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum.

We believe we are the world's largest producer by revenue and volume of polyacrylamide, or "**PAM**," a water-soluble specialty chemical used in water treatment, oil and petroleum applications (including enhanced oil recovery, or "**EOR**"), mineral extraction, pulp and paper manufacturing and other industries. PAM has a broad variety of industrial and commercial uses as a flocculant, which facilitates the separation of suspended solids from water, as a viscosity modifier, which alters the thickness of liquids, and as a drag reducer, which decreases the pressure drop along a segment of pipe. In addition to PAM, of which we estimate we produced 48% of global output in 2020 and from which we generated approximately 83% of our 2020 net revenue, we also produce and sell related specialty chemicals such as coagulants, which are used primarily in water treatment, and monomers. We also sell dispersants, which are used in the paper, household products and mining industries; mining reagents, which are used in the minerals processing industry; and equipment that facilitates the utilization of PAM. For the year ended December 31, 2020, we had net revenue of €2,982.1 million and EBITDA of €551.9 million.

We operate our business through four geographic zones: EMEA (Europe, the Middle East and Africa), North America, Latin America and Asia Pacific. Our net revenue by geographic zone as a percentage of total revenue for the years ended December 31, 2018, 2019 and 2020 and for the six months ended 2020 and 2021 are set forth in the table below:

	(Audited)			(Unaudited)	
	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
Net Revenue:					
EMEA	24.5%	24.6%	28.2%	28.7%	25.4%
North America	42.8%	40.8%	35.6%	37.6%	36.1%
Latin America	7.3%	8.0%	7.8%	7.9%	8.2%
Asia Pacific	25.4%	26.6%	28.4%	25.8%	30.3%

Factors Affecting our Business

Raw Material Costs

We are exposed to commodity price risks relating to raw materials and supplies, which accounted for approximately two thirds of our purchases and changes in stock and other charges in 2020. Many of our raw materials are derived from propylene, a petroleum derivative. We purchase raw materials from a variety of sources through multi-year contracts (typically indexed on propylene prices). Propylene has historically been subject to significant price increases, driven in part by increases in petroleum prices and also by increased demand, without a comparable increase in the supply of propylene. Supply and demand for propylene can also, at times, vary by region. We have taken, steps in recent years to mitigate the risk of increasing raw material prices by (i) regularly increasing prices of our products, in order to pass on raw material price increases to customers, and (ii) changing customer billing cycles, so that raw material price increases can be passed on to customers at the time the products are delivered to customers and not at the time they place their orders. We have also negotiated pricing arrangements with customers to permit regular increases in prices to reflect increases in raw material costs.

As a result, increases in raw material prices can be passed on to customers more quickly than in the past. Petroleum prices and propylene prices are subject to significant volatility. In line with propylene price increases in 2017 and 2018, we have increased our prices several times over this period in all regions of the world. Since November 2018, propylene prices have experienced a downward trend in all regions of the world. Between March and June 2020, propylene prices have plummeted following a sharp decrease in oil prices, triggered by an oil price war between Saudi Arabia and Russia in the midst of the COVID-19 pandemic. Since May and July 2020 depending on the region of the world, propylene prices have increased sharply and recovered to pre-crisis levels or even higher. In mid-February 2021, Winter Storm Uri brought record freezing temperatures to the US Gulf Coast and left millions without power as the storm led to catastrophic failures of the power grid and water supply in the southern United States, especially Texas. Many Gulf Coast refineries and petrochemical plants were shut down or ran at reduced rates, that disrupted the whole petrochemical chain in the world and led to historical price increases. To adapt to these skyrocketing prices, we introduced two price increases in a row in all regions of the world in the first quarter of 2021 and we plan two additional price increases in the U.S. and Europe in October.

We will continue to face some delays in passing on any raw material price increases to our customers because not all of our customer contracts allow such price increases. For example, with respect to our water treatment contracts with municipalities, we typically agree to a fixed price contract over a set period of time, often one year. We however have a very large number of municipal contracts, which are renewed throughout the year, thus enabling us to progressively adapt to market prices.

End User Demand

We have long-term contracts with some of our customers, especially in the oil industry. We typically receive orders for our products and deliver them within two to four weeks of the order being made. Customers may not order our products at regular intervals during the year, as they may draw upon their own inventories for longer periods of time. We tend to shift production from one product to another to fulfill customer orders. As a result, there can be short term fluctuations in sales from one product line compared to another, due to these variations in order flow. While we have significantly increased the prices of our products over the last eight years, we have not experienced a lower demand for our products. Our products are typically critical or necessary products for our customers and there are currently no cost-effective substitutes available. Moreover, our products typically represent a small portion of end users' cost of goods sold, so price increases of our products have a limited financial impact on these end users.

COVID-19

The COVID-19 outbreak has continued to impact our businesses. See "*Risk Factors—COVID-19, or the outbreak of other contagious diseases, may have a material adverse effect on our business, results of operations financial condition and cash flows and has adversely affected our operations and financial results*".

Foreign Exchange Exposure

Our financial results are impacted by both translation and transaction currency effects resulting from changes in currency exchange rates. Our reporting currency is the euro.

Translation currency effects occur when the financial results of our subsidiaries outside the euro region, as measured in their non-euro local currencies, are translated into euro using the exchange rate prevailing during the relevant period. The resulting impact of such a translation can affect our results when compared to other periods translated at different foreign exchange rates.

Translation currency effects also have a strong impact on the valuation of those of our assets that are held in non-euro zones or liabilities denominated in non-euro currencies.

We may also be affected by currency effects when we sell a product in one currency and incur manufacturing costs in another currency. In general, notwithstanding the global nature of our business, we believe we experience lessened translation currency effects because we have large manufacturing capabilities in our three key geographic sales areas, North America, Europe and Asia, and often incur the costs of manufacturing in the same currency in which we receive sales proceeds.

Relationships with Distributors

We make approximately 26% of our sales through our relationships with approximately 850 distributors and resellers, who can provide broad coverage of the end-user market through an extended sales force.

Generally, we have non-exclusive agreements with these distributors, who typically supply technical assistance and on-site service to end users. Such distributors also often service niche markets, such as boiler and cooling water applications. These distributors are typically not exclusively PAM distributors, but rather general chemical distributors, who package our products with other chemical products to on-sell them to end users.

Industry Trends

Generally, the demand for our products in the municipal water treatment market is quite stable and relatively insensitive to economic cycles.

Our products are used by end users in a variety of industrial end markets, which vary in their sensitivity to changes in the general economic environment. The market for the PAM we sell for eventual use in the mining industry, for example, is driven by demand for mining products. Recently, this industry has increased its demand significantly, although such

demand in this market has historically been cyclical. Similarly, demand for oil and gas products, especially in the fracking industry, and pulp and paper products will also affect the demand for our products that end users in each of these respective industries use. Our fracking activities in the United States, following a sharp decline in the first half of 2020, recovered significantly in the second half of the year.

The remainder of our sales is to markets such as the cosmetics and personal care, textiles and agriculture markets, which are also characterized by less cyclicality.

The market for EOR has a long time horizon, as decisions by end users to use the EOR polymer injection process, given the large capital commitment required, results in a long term need for our product by such end users, thus demand for EOR products is not likely to be cyclical.

Despite the severe economic conditions that prevailed throughout 2009 and the sharp decrease in the oil price that occurred in 2015, our volume of sales for 2009 and 2015 declined by only 3% and 1%, respectively, thus demonstrating the stability of our markets.

Critical Accounting Policies and Estimates

Our significant accounting policies or changes in accounting policies are summarized in the notes to our audited consolidated financial statements included herein. We prepare our consolidated financial statements in conformity with IFRS.

Basis of Presentation

We calculate the effect of forex or foreign exchange in any period by calculating the foreign exchange rate translation of the financial results of each of our affiliates which report in currencies other than euro by converting these results from their local currency into euro at the end of each quarter. These foreign exchange rate translations are calculated: (i) for income statement items, using the average of the daily closing exchange rates given by the Banque de France index over that period; and (ii) for balance sheet items, using the closing exchange rate given by the Banque de France index exchange rates for that period. We measure the effect of foreign exchange rate translation in any period, and calculate our constant currency results, by converting the financial results of our affiliates which report in currencies other than euro into euro at the exchange rates applicable to the preceding comparable period.

We calculate the effect of volume changes on net revenue in any particular period by calculating the difference between the net revenue actually achieved in the preceding comparable period and that which would have been recorded if the volume for the period in question had been sold at a price equal to the average daily price for the preceding comparable period. We calculate the effect of price changes on net revenue in any particular period by calculating the difference between the net revenue actually achieved and that which would have been recorded if the volume for the period in question had been sold at the mix price structures applicable to our customers for the preceding comparable period.

Consolidated Results of Operations

The following table summarizes our consolidated results of operations for 2018, 2019 and 2020, the six months ended June 30, 2021 and 2020, and the twelve months ended June 30, 2021.

	(Audited) Year Ended December 31,					(Unaudited) Six Months Ended June 30,		(Unaudited) Twelve Months Ended June 30,
	2018	2019	Increase %	2020	Increase %	2020	2021	2021
	(in € thousands except percentages)							
Consolidated Income Statement Data[1]								
Revenue, net	3,023,290	3,358,147	11.1%	2,982,121	(11.2%)	1,573,017	1,676,275	3,085,379
Raw materials and transportation costs[2]	(2,026,276)	(2,120,928)	4.7%	(1,791,121)		(931,301)	(1,047,429)	1,907,249
Gross profit	997,015	1,237,219	24.1%	1,191,000	(3.7%)	641,716	628,846	1,178,130
Production costs	(490,669)	(588,836)	20.0%	(593,020)	0.7%	(302,143)	(317,845)	(608,722)

	(Audited) Year Ended December 31,					(Unaudited) Six Months Ended June 30,		(Unaudited) Twelve Months Ended June 30,
	2018	2019	Increase %	2020	Increase %	2020	2021	2021
	(in € thousands except percentages)							
Marketing & distribution costs	(120,102)	(132,727)	10.5%	(133,355)	0.5%	(64,308)	(68,102)	(137,149)
Local supporting R&D	(45,364)	(49,329)	8.7%	(52,088)	5.6%	(25,927)	(25,646)	(51,807)
General & administrative costs	(69,786)	(74,887)	7.3%	(78,347)	4.6%	(43,776)	(41,018)	(75,589)
Selling, general & administrative costs	(235,252)	(256,943)	9.2%	(263,789)	2.7%	(134,011)	(134,766)	(264,544)
EBIT (Recurring operating income)[3]	271,094	391,440	44.4%	334,191	(14.6%)	205,562	176,235	304,864
Depreciation, amortization and changes to provisions	151,957	(183,539)	20.8%	(217,710)	15.7%	(106,306)	(105,253)	(216,657)
EBITDA[4]	423,051	574,979	35.9%	551,901	(4.2%)	311,869	281,487	521,519
Non-recurring income/(loss)	(26,981)	(21,750)	19.4%	(66,083)	(33%)	(21,618)	(14,945)	(59,410)
Financial income/(loss)	(78,353)	(39,162)	50.0%	(86,553)	(54%)	(47,480)	(604)	(39,677)
Non-consolidated subsidiaries	504	441	(12.5)%	698	36.8%	96	3,167	3,778
Tax on income	(43,736)	(68,944)	(57.6)%	(43,046)	60.2%	(32,651)	(32,704)	(43,099)
Income after tax	122,528	262,025	113.8%	139,208	88.2%	103,909	131,148	166,447
Minority interests	(3,634)	(4,957)	36.4%	(6,156)	36.4%	(3,511)	(1,505)	(4,150)
Net income	118,894	257,068	116.2%	133,051	116.2%	100,399	129,643	162,295

(1) The figures presented in this table are extracted from the Issuer's consolidated financial statements that are included elsewhere in this Offering Memorandum.

(2) "Raw materials and transportation costs" corresponds to "Cost of sales" in our audited consolidated financial statements as of and for the year ended December 31, 2020 and our unaudited, condensed financial statements as of and for the six months ended June 30, 2021. This includes certain indirect costs, including wages, various fees, depreciation and amortization.

(3) EBIT corresponds to Recurring operating income.

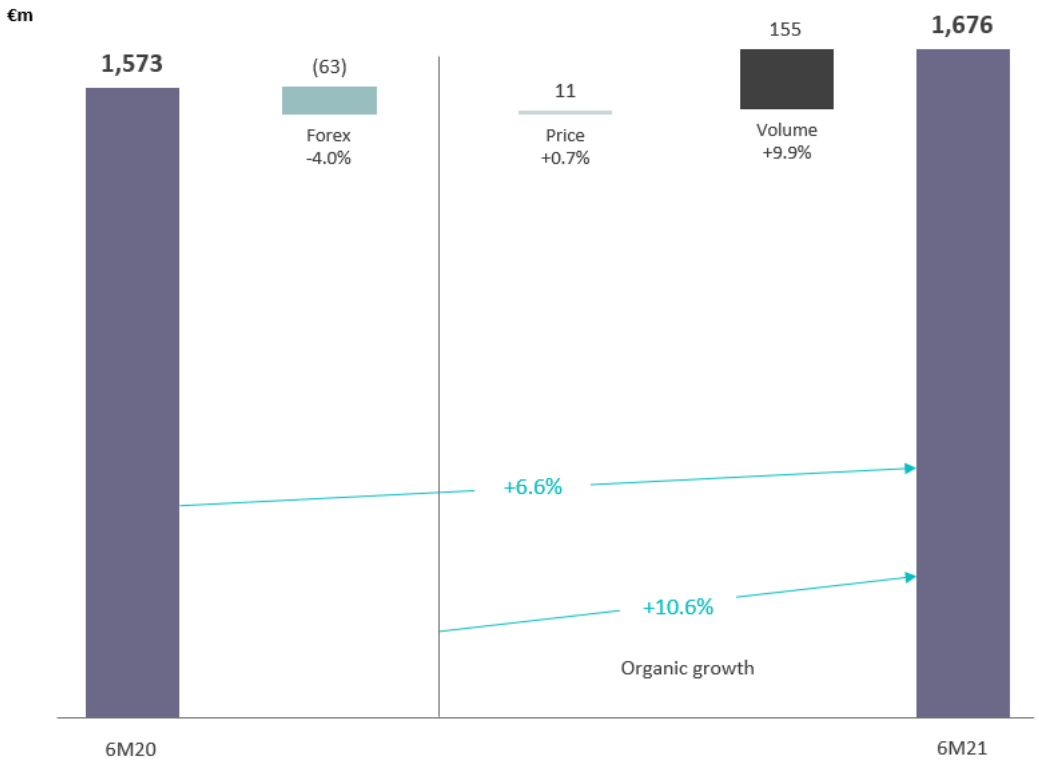
(4) EBITDA is defined as EBIT (Recurring operating income) plus depreciation, amortization and changes to provisions. EBITDA is not a recognized measurement under IFRS, and you should not consider it an alternative to the applicable IFRS measurements.

Six months ended June 30, 2021 compared to the six months ended June 30, 2020

Revenue, net

We had total net revenue of €1,676 million for the six months ended June 30, 2021, representing a decrease of 6.6% over total net revenue of €1,573 million for the six months ended June 30, 2020. Following a decrease in pricing in the first quarter of 2021 compared to the first quarter of 2020, pricing significantly improved in the second quarter of 2021 compared to the second quarter of 2020. Foreign exchange rate translation for the six months ended June 30, 2021 had a negative impact of 4.0% for the semester on our net revenue, compared to the six months ended June 30, 2020, reflecting primarily the depreciation of the US dollar versus the Euro. Our total growth in constant currency was therefore an increase of 10.6%, broken down in a volume decrease of 9.9% and a price increase of 0.7%.

The following graph breaks down the growth in revenue, net for the six months ended June 30, 2020 to the six months ended June 30, 2021:



Gross Profit

Gross profit decreased by 2% to €628.9 million for the six months ended June 30, 2021, compared with €641.7 million for the six months ended June 30, 2020. As a percentage of net revenue, gross profit margin was 37.5% for the six months ended June 30, 2021, compared with 40.8% for the six months ended June 30, 2020. The following table illustrates the evolution of our gross profit margin in the first half of each of 2021 and 2020.

	(unaudited) Six Months Ended June 30,	
	2020	2021
	(in € thousands except percentages)	
Revenue, net	1,573,017	1,676,275
Gross profit	641,716	628,846
Gross profit margin (% revenue, net)	40.8%	37.5%

Sources: ICIS (Europe) and Tecnon OrbiChem (Asia and USA).

Following propylene price increases in 2017 and 2018, we have increased our prices several times over this period in all regions of the world. Since November 2018, propylene prices have experienced a downward trend in all regions of the world. Between March and June 2020, propylene prices have plummeted following a sharp decrease in oil prices, triggered by an oil price war between Saudi Arabia and Russia in the midst of the COVID-19 pandemic. Since May and July 2020 depending on the region of the world, propylene prices have increased sharply and recovered to pre-crisis levels or even higher. Mid-February 2021, Winter Storm Uri brought record freezing temperatures to the US Gulf Coast and left millions without power as the storm led to catastrophic failures of the power grid and water supply in the southern United States, especially Texas. Many Gulf Coast refineries and petrochemical plants were shut down or ran at reduced rates, that disrupted the whole petrochemical chain in the world and led to historical price increases. To adapt to these skyrocketing prices, we have introduced two price increases in a row in all regions of the world in the first quarter of 2021.

Production costs

Production costs increased by 5.2% to €317.8 million for the six months ended June 30, 2021, compared with €302.1 million for the six months ended June 30, 2020. As a percent of net revenue, production costs decreased to 19.0% for the six months ended June 30, 2021, compared to 19.2% for the six months ended June 30, 2020.

Marketing & distribution costs

Marketing and distribution expenses increased by 5.9% to €68.1 million for the six months ended June 30, 2021, compared with €64.3 million for the six months ended June 30, 2020. As a percent of net revenue, marketing and distribution expenses for the six months ended June 30, 2020 and June 30, 2021 amounted to 4.1%.

Local supporting R&D

Research and development expenses decreased by 1.2% to €25.6 million for the six months ended June 30, 2021, compared with €25.9 million for the six months ended June 30, 2020. As a percent of net revenue, research and development expenses decreased to 1.5% for the six months ended June 30, 2021, compared to 1.6% for the six months ended June 30, 2020.

General & administrative costs

General and administrative expenses decreased by 6.3% to €41.0 million for the six months ended June 30, 2021, compared with €43.8 million for the six months ended June 30, 2020. As a percent of net revenue, general and administrative

expenses decreased to 2.4% for the six months ended June 30, 2021, compared to 2.8% for the six months ended June 30, 2020.

Selling, general & administrative costs (SG&A)

SG&A costs as a percentage of net revenue increased by 0.6% to €135 million for the six months ended June 30, 2021, compared with €134 million for the six months ended June 30, 2020. As a percent of net revenue, selling, general & administrative costs increased to 8.0% for the six months ended June 30, 2021, compared to 8.5% for the six months ended June 30, 2020.

EBIT (Recurring operating income)

EBIT decreased by 16.7% to €176.2 million for the six months ended June 30, 2021, compared with €205.6 million for the six months ended June 30, 2020. EBIT as a percentage of net revenue was 10.5% in the six months ended June 30, 2021, and 13.1% in the six months ended June 30, 2020.

Depreciation, amortization and changes to provisions

Depreciation and amortization charges were €105.3 million in the six months ended June 30, 2021, compared with €106.3 million in the six months ended June 30, 2020.

EBITDA

EBITDA decreased by 9.7% to €281.5 million for the six months ended June 30, 2021, compared with €311.9 million for the six months ended June 30, 2020. EBITDA as a percentage of net revenue was 16.8% in the six months ended June 30, 2021, and 19.8% in the six months ended June 30, 2020.

Non-recurring income/(loss)

Non-recurring loss totaled €14.9 million for the six months ended June 30, 2021, compared with a loss of €21.6 million for the six months ended June 30, 2020.

Financial income/(loss)

Financial loss was €(0.6) million for the six months ended June 30, 2021, compared with a loss of €(47.4) million for the six months ended June 30, 2020. Financial loss primarily consists of exchange losses, with a negative impact of €0.6 million for the six months ended June 30, 2021.

Out of this total amount in the six months ended June 30, 2021, interest expense on our debt accounted for €22.1 million. Foreign exchange gains and other charges had a positive impact of €22.8 million. This positive impact was primarily due to the depreciation of the U.S. dollar versus the Euro in the first six months of 2021. The application of IFRS 9 on our debt in the first six months of 2021 had a negative impact on financial expenses of €0.5 million, and the application of IFRS 16 on our debt in the first six months of 2021 had a negative impact on financial expenses of €0.8 million.

	Six Months Ended June 30,	
	2020	2021
	(in € millions)	
Interest expenses	27.7	(22.1)
Exchange gain and others	16.4	22.8
IFRS 9 impact[(1)]	2.4	(0.5)
IFRS 16 impact[(2)]	1.0	(0.8)
Total	**47.5**	**(0.6)**

(1) Corresponds to non-consolidated investments recognized at fair value and interests on bond debt.
(2) Corresponds to interest expenses related to lease liabilities.

Tax on income

Corporate income tax totaled an expense of €32.7 million for the six months ended June 30, 2021, compared with €32.7 million for the six months ended June 30, 2020. Our average corporate income tax rate was 20.35% in the six months ended June 30, 2021.

Minority interests

Minority interests totaled €1.5 million for the six months ended June 30, 2021, compared with €3.5 million for the six months ended June 30, 2020.

Net income

Net income totaled €130.0 million for the six months ended June 30, 2021, compared with €100.4 million for the six months ended June 30, 2020. As a percent of net revenue, net income was 7.7% in the six months ended June 30, 2021, and 6.4% in the six months ended June 30, 2020.

The following table illustrates the evolution of our revenue, gross profit, EBIT, EBITDA and net income for the periods set forth therein.

	(unaudited) Six Months Ended	
	June 30, 2020	June 30, 2021
Revenue, net	1,573,017	1,676,275
By Geography		
North America	38%	36%
Latin America	8%	8%
Asia Pacific	26%	30%
Europe	22%	20%
Middle East and Africa	7%	6%
By End-Market		
Municipal water treatment	24%	22%
Industrial water treatment	21%	19%
Paper	9%	10%
Oil & gas	21%	23%
Mining	12%	11%
Monomers	5%	6%
Specialties	8%	9%
Gross profit	641,716	628,846
EBIT (Recurring operating income)[(1)]	205,562	176,235
EBITDA[(2)(3)]	311,869	281,488
Net income	100,399	129,643

(1) EBIT corresponds to Recurring operating income.

(2) EBITDA is defined as EBIT (Recurring operating income) plus depreciation, amortization and changes to provisions. EBITDA is not a recognized measurement under IFRS, and you should not consider it an alternative to the applicable IFRS measurements.

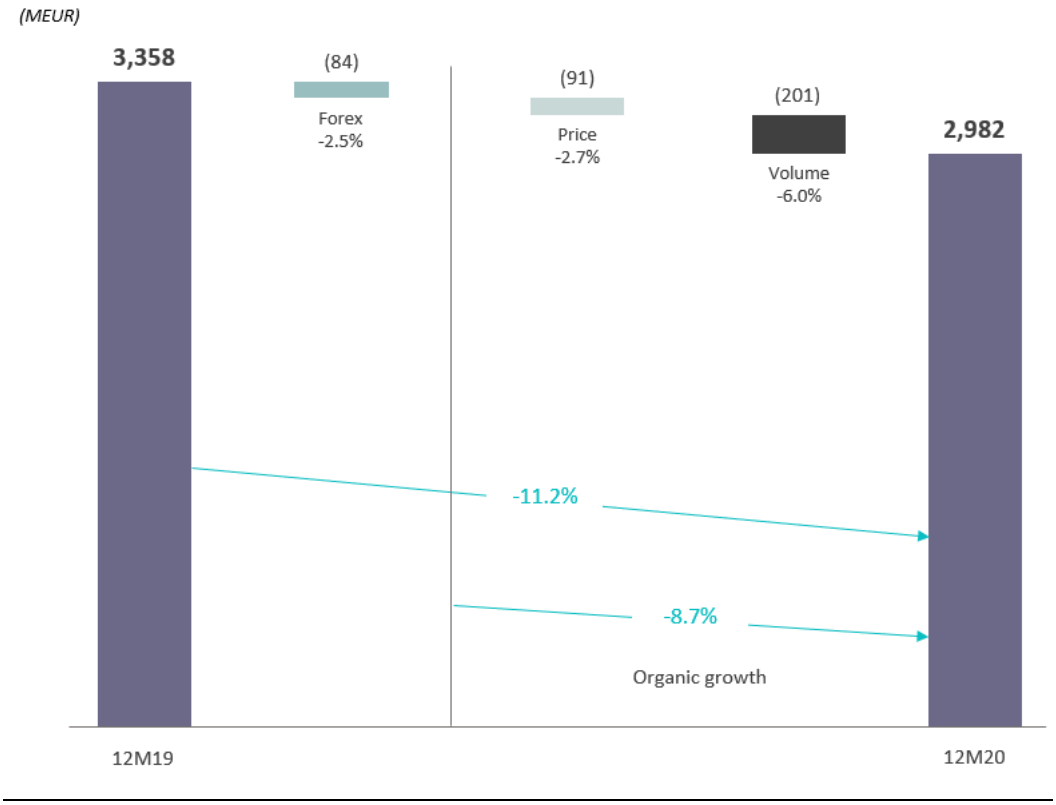
(3) For the six months ended June 30, 2021, our EBITDA split by geography was: 21% EMEA, 15% Asia Pacific and 16% Americas, whereas for the six months ended June 30, 2020, our EBITDA split by geography was: 19% EMEA, 28% Asia Pacific and 16% Americas.

Year ended December 31, 2020 compared to the year ended December 31, 2019

Revenue, net

We had total net revenue of €2,982.1 million for the year ended December 31, 2020, representing a decrease of 11.2% over total net revenue of €3,358.1 million for the year ended December 31, 2019. Foreign exchange rate translation had a negative impact of 2.5% for the twelve months of the year, reflecting primarily the fluctuations of a basket of currencies (the US dollar, the Brazilian real, the Chinese yuan, the Mexican peso, the South African rand, the South Korean won, and the Indian rupee) versus the Euro. Our total organic growth in constant currency was therefore an decrease of 8.7%, broken down as a price decrease of 2.7% and a volume decrease of 6.0%.

The following graph breaks down the growth in revenue, net from 2019 to 2020:



Gross Profit

Gross profit decreased by 3.7% to €1,191.0 million in 2020, compared with €1,237.2 million in 2019. As a percentage of net revenue, gross profit margin was 39.9% in 2020, compared with 36.8% in 2019.

	2019	2020
	(in € thousands except percentages)	
Revenue, net	3,358,147	2,982,121
Gross profit	1,237,219	1,191,000
Gross profit margin (% revenue, net)	36.8%	39.9%

Production costs

Production costs increased by 0.7% to €593.0 million in 2020, compared with €588.8 million in 2019. As a percent of net revenue, production costs were 19.9% in 2020, compared with 17.5% in 2019. Excluding depreciation and amortization, production cash costs decreased by 3.6% compared with 2019.

Marketing & distribution costs

Marketing and distribution expenses increased by 0.5% to €133.4 million in 2020, compared with €132.7 million in 2019. As a percent of net revenue, marketing and distribution expenses were 4.5% in 2020, compared with 4.0% in 2019. Excluding depreciation and amortization, marketing and distribution cash costs decreased by 5.0% compared with 2019.

Local supporting R&D

Research and development expenses increased by 5.6% to €52.1 million in 2020, compared with €49.3 million in 2019. As a percent of net revenue, research and development expenses were 1.7% in 2020, compared with 1.5% in 2019.

General & administrative costs

General and administrative expenses increased by 4.6% to €78.3 million in 2020, compared with €74.9 million in 2019. As a percent of net revenue, general and administrative expenses were 2.6% in 2020, compared with 2.2% in 2019.

Selling, general & administrative costs (SG&A)

SG&A costs as a percentage of net revenue were 8.8% in 2020 and 7.7% in 2019.

EBIT (Recurring operating income)

EBIT decreased by 14.6% to €334.2 million in 2020, compared with €391.4 million in 2019. EBIT as a percentage of net revenue was 11.2% in 2020 and 11.7% in 2019.

Depreciation, amortization and changes to provisions

Depreciation and amortization charges were €217.7 million in 2020, compared with €183.5 million in 2019. Out of the total depreciation and amortization charges in 2020, €11.0 million pertained to the impact of IFRS 16.

EBITDA

EBITDA decreased by 4.0% at €551.9 million in 2020, compared with €575.0 million in 2019. EBITDA as a percentage of net revenue was 18.5% in 2020 and 17.1% in 2019. IFRS 16 had an impact on our EBITDA of €12.4 million for the twelve months ended December 31, 2020.

Non-recurring income/(loss)

Non-recurring loss totaled €(66.1) million in 2020, compared with €(21.7) million in 2019. Out of this total amount in 2020, €(56.9) million pertained to the North American geography, where our fracking activities have been particularly affected by the sharp decrease in oil prices, and in which a restructuring plan has been implemented.

Financial income/(loss)

Financial loss totaled €(86.6) million in 2020, compared with €(39.2) million in 2019. Out of this total amount in 2020, interest expense on our debt accounted for €(51.0) million. In addition, €(35.1) million pertained to the write-off of the remaining deferred financing costs and IFRS 9 balances linked to our previous 2.875% Senior Notes due 2023, that were redeemed in September 2020. Foreign exchange gains and other charges had a positive impact of €5.3 million. IFRS 9 and IFRS16 had a negative impact on financial expenses of €(3.8) million and €(1.9) million, respectively, for the twelve months ended December 31, 2020.

	2019	2020
	(in € millions)	
Interest expenses	(58.4)	(51.0)
Exchange gain and others	26.2	5.3
IFRS 9 impact[(1)]	(4.8)	(3.8)
IFRS 16 impact[(2)]	(2.2)	(1.9)
Write-off of deferred financing costs and IFRS 9 due to refinancing	—	(35.1)
Total	**(39.2)**	**(86.6)**

(1) Corresponds to non-consolidated investments recognized at fair value and interests on bond debt.
(2) Corresponds to interest expenses related to lease liabilities.

Tax on income

Corporate income tax totaled an expense of €(43.0) million in 2020, compared with an expense of €(68.9) million in 2019. The average corporate income tax rate has been 24% in 2020.

Minority interests

Minority interests totaled €(6.2) million in 2020, compared with (5.0) million in 2019.

Net income

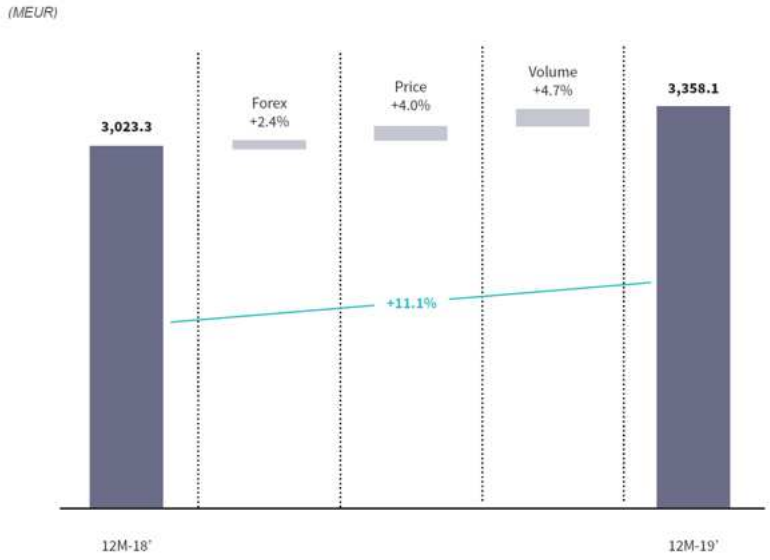
Net income totaled €133.1 million in 2020, compared with €257.1 million in 2019. As a percent of net revenue, net income was 4.5% in 2020, compared with 7.7% in 2019.

Year ended December 31, 2019 compared to the year ended December 31, 2018

Revenue, net

We had total net revenue of €3,358.1 million for the year ended December 31, 2019, representing an increase of 11.1% over total net revenue of €3,023.3 million for the year ended December 31, 2018. Foreign exchange rate translation had a positive impact of 2.4% for the twelve months of the year, reflecting primarily the appreciation of the U.S. dollar versus the Euro. Our total organic growth in constant currency was therefore an increase of 8.7%, broken down as a price increase of 4.0% and a volume increase of 4.7%.

The following graph breaks down the growth in revenue, net from 2018 to 2019:



Gross Profit

Gross profit increased by 24.1% to €1,237.2 million in 2019, compared with €997.0 million in 2018. As a percentage of net revenue, gross profit margin was 36.8% in 2019, compared with 33.0% in 2018.

	2018	2019
	(in € thousands except percentages)	
Revenue, net	3,023,290	3,358,147
Gross profit	997,015	1,237,219
Gross profit margin (% revenue, net)	33.0%	36.8%

Production costs

Production costs increased by 20.0% to €588.8 million in 2019, compared with €490.7 million in 2018. As a percent of net revenue, production costs were 17.5% in 2019, compared with 16.2% in 2018.

Marketing & distribution costs

Marketing and distribution expenses increased by 10.5% to €132.7 million in 2019, compared with €120.1 million in 2018. As a percent of net revenue, marketing and distribution expenses were 4.0% both in 2019 and in 2018.

Local supporting R&D

Research and development expenses increased by 8.7% to €49.3 million in 2019, compared with €45.4 million in 2018. As a percent of net revenue, research and development expenses were 1.5% both in 2019 and in 2018.

General & administrative costs

General and administrative expenses increased by 7.3% to €74.9 million in 2019, compared with €69.8 million in 2018. As a percent of net revenue, general and administrative expenses were 2.2% in 2019, compared with 2.3% in 2018.

Selling, general & administrative costs (SG&A)

SG&A costs as a percentage of net revenue slightly decreased to 7.7% in 2019 compared to 7.8% in 2018.

EBIT (Recurring operating income)

EBIT increased by 44.4% to €391.4 million in 2019, compared with €271.1 million in 2018. EBIT as a percentage of net revenue was 11.7% in 2019 and 9.0% in 2018.

Depreciation, amortization and changes to provisions

Depreciation and amortization charges were €183.5 million in 2019, compared with €152.0 million in 2018. Out of the total depreciation and amortization charges in 2019, €11.6 million pertained to the impact of IFRS 16.

EBITDA

EBITDA increased by 35.9% at €575.0 million in 2019, compared with €423.1 million in 2018. EBITDA as a percentage of net revenue was 17.1% in 2019, an increase compared to 14.0% in 2018. IFRS 16 had a positive impact on our EBITDA of €12.8 million for the twelve months ended December 31, 2019.

Non-recurring income/(loss)

Non-recurring loss totaled €(21.7) million in 2019, compared with €(27.0) million in 2018. Out of this total amount in 2019, €(7.2) million pertained to litigation fees and €(6.9) million pertained to the closure of our aging plant in Aotong, China. All our xanthate products will be manufactured in our plant in Rudong, China going forward.

Financial income/(loss)

Financial loss totaled €(39.2) million in 2019, compared with €(78.4) million in 2018. Out of this total amount in 2019, interest expense on our debt accounted for €(58.4) million. Foreign exchange gains and other charges had a positive impact of €26.2 million. This positive impact was primarily due to the appreciation of the U.S. dollar versus the Euro in 2019. The application of IFRS 9 on our debt in 2019 had a negative impact on financial expenses of €(4.8) million and the application of IFRS 16 on our debt in 2019 had a negative impact on financial expenses of €(2.2) million.

	2018	2019
	(in € millions)	
Interest expenses	(56.0)	(58.4)
Exchange gain and others	(17.5)	26.2
IFRS 9 impact[(1)]	(4.9)	(4.8)
IFRS 16 impact[(2)]	—	(2.2)
Total	**(78.4)**	**(39.2)**

(1) Corresponds to non-consolidated investments recognized at fair value and interests on bond debt.
(2) Corresponds to interest expenses related to lease liabilities.

Tax on income

Corporate income tax totaled an expense of €(68.9) million in 2019, compared with an expense of €(43.7) million in 2018. Our average corporate income tax rate was 21% in 2019.

Minority interests

Minority interests totaled €(5.0) million in 2019, compared with €(3.6) million in 2018.

Net income

Net income totaled €257.1 million in 2019, compared with €118.9 million in 2018. As a percent of net revenue, net income was 7.7% in 2019, compared with 3.9% in 2018.

Liquidity and Capital Resources

Our principal sources of funds have been cash generated from our operating activities and long-term borrowings. Our ability to service our capital needs, service our obligations under our indebtedness and fund our ongoing operations will depend upon our ability to generate cash. Our principal uses of cash are to fund capital expenditures, working capital and debt service obligations, and also to fund existing and potential expenditures relating to joint ventures, including the purchase of outstanding interests from third parties. We have traditionally required significant amounts of capital to build new manufacturing facilities, although ongoing capital requirements for maintenance of existing facilities are limited. As we continue to grow both organically and through strategic acquisitions, we constantly evaluate opportunities to add manufacturing assets in key markets.

Consolidated Cash Flow Statement

The following table summarizes our consolidated cash flow statement as of and for the years ended December 31, 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021.

	(Audited)			(Unaudited)	
	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
			(in € thousands)		
Cash flow (before impact of working capital items)	377,726	578,244	478,133	290,641	269,175
Net cash from operating activities	141,674	451,101	419,103	244,571	45,409
Net cash used in investing activities[(1)]	(322,249)	(348,855)	(281,430)	(162,106)	(145,066)
Net cash from financing activities	238,307	(70,472)	72,312	148,819	(56,631)
Cash at end of period	206,967	240,496	439,068	464,789	289,333

(1) Net cash used in investing activities reflects mainly capital expenditures and financial investments.

For the full year 2020, our cash flow totaled €478.1 million, compared with €578.2 million in 2019. For the six months ended June 30, 2021, our cash flow totaled €269.2 million, compared with €290.6 million for the six months ended June 30, 2020.

Net cash from operating activities totaled €419.1 million in 2020, compared with €451.1 million in 2019. The operating cash flow has been positively impacted by our working capital that has decreased by €42.8 million during 2020. Working capital as of June 30, 2020, as a percentage of the annualized sales was 24.7%, compared with 22.4% for the six months ended June 30, 2019.

For the six months ended June 30, 2021, our net cash from operating activities was €45.4 million, compared with €245 million for the six months ended June 30, 2020.

Net cash used in investing activities in 2020 was €281.4 million, compared with €348.9 million for 2019. Out of this 2020 total, €261.6 million pertain to capital expenditures in our tangible assets and €10.7 million to capitalized equipment for EOR customers. This level of tangible capital expenditures is in line with our investment plan.

Net cash used in investing activities in the six months ended June 30, 2021 was €145 million, compared with €162.1 million in the six months ended June 30, 2020. Out of net cash used in investing activities in the six months ended June 30, 2021, €121.6 million pertain to capital expenditures relating to tangible assets and €23.5 million pertain to acquisitions, intangible assets and assets disposal.

Net cash from financing activities was €72.3 million for the twelve months ended December 31, 2020.

As of June 30, 2021, we had cash and cash equivalents of €289.3 million on a consolidated basis. Our total unused lines of credit were €375.0 million on June 30, 2021, leading to a total liquidity of €664.3 million, compared with €632.5 million for the six months ended June 30, 2020.

Senior Notes, Senior Credit Facilities and Other Indebtedness

As of June 30, 2021, our total debt was €1,484.3 million, compared with €1,619.4 million on June 30, 2020. In May 2021, we reimbursed a bilateral bank line of €50 million that fell due. On June 30, 2021, our adjusted net debt was €1,188.7 million, compared with €1,162.0 million on June 30, 2020. The debt variation between the first and the second quarter of 2021 is broken down in the following table. A breakdown of total borrowings are also presented below as of December 31, 2018, 2019 and 2020 and as of June 30, 2021.

	(Audited) At December 31,			(Unaudited) At June 30,
	2018	2019	2020	2021
	(in € millions)			
Senior Notes	986.7	995.1	1,107.5	1,121
Senior Facility	111.0	39.0	-	-
Other SPCM debt	353.2	386.4	370.4	313
Subsidiaries debt	64.5	37.8	20.7	16
Lease Liability[(1)]	0.7	0.5	0.3	0
IFRS 9 impact	(25.6)	(20.8)	(4.6)	(4)
IFRS 16 impact	—	45.2	41.8	38
Other	(37.5)	(26.7)	(3.3)	1
Total Debt	1,452.9	1,456.5	1,532.8	1,484
Adjustments as per bank facility	(14.9)	1.7	26.6	(6)
Gross cash and cash equivalents (including cash management financial assets in 2019)	(207.1)	(240.6)	(439.1)	(289)
Adjusted Net Debt	1,230.9	1,217.6	1,120.3	1,189

(1) Represents finance leases for the years ended December 31, 2018 and 2019 and all leases under IFRS 16 for the year ended December 31, 2020.

Senior Notes

On April 28, 2017, we issued $500.0 million principal amount of our 4.875% senior notes due 2025 (the "**Senior Notes due 2025**"). We intend to redeem the Senior Notes due 2025 with part of the proceeds from the Notes offering. As part of the offering of the Senior Notes due 2025, we entered into an indenture with the trustee, as defined therein, which contains certain restrictions on our ability to incur additional debt, pay dividends, dispose of our assets and other restrictions.

On September 15, 2020, we issued €350.0 million principal amount of our 2.000% senior notes due 2026 (the "**Senior Notes due 2026**") and €350.0 million principal amount of our 2.625% senior notes due 2029 (the "**Senior Notes due 2029**"). As part of the offering of the Senior Notes due 2026 and the Senior Notes due 2029, we entered into an indenture with the trustee, as defined therein, which contains certain restrictions on our ability to incur additional debt, pay dividends, dispose of our assets and other restrictions.

Senior Revolving Credit Facility

On July 31, 2015, we entered into an unsecured €350.0 million senior revolving credit facility. On June 22, 2018, we signed an amendment to our existing revolving credit facility that extended its maturity to July 31, 2023 with two annual options to extend the maturity by one to two additional years (depending if the first option has been exercised and accepted by the lenders). We have exercised our first and second option to extend maturity. Both options have been accepted by all the lenders (except for KBC which refused the second option) and the maturity of our revolving credit facility has therefore been extended to July 31, 2025 (except for KBC's portion (€16.0 million in commitments) for which it is July 31, 2024). We also updated the net leverage covenant to 4.0x. As of June 30, 2021, no amounts were drawn and €350.0 million was available to the Issuer under the senior revolving credit facility. For more information on our senior revolving credit facility, see "*Description of Other Indebtedness—Revolving Credit Facility*."

EIB Loan

On October 3, 2018, we entered into a new facility with the European Investment Bank (EIB), as amended on October 9, 2019, for a total amount of €180.0 million at a fixed rate of 1.75%, available to SPCM, with a maturity of eight years and a bullet amortization. This loan is unsecured and ranks equally with our Notes and senior revolving credit facility. For more information on our senior revolving credit facility, see "*Description of Other Indebtedness—EIB Loan*."

Factoring

On April 30, 2009, SNF SAS, our French subsidiary, entered into certain factoring arrangements of indefinite duration with Factocic, S.A., or "Factocic" (in France), pursuant to which SNF SAS has undertaken to sell certain of its accounts receivable to Factocic. The agreement with Factocic was amended on December 30, 2011 in order to eliminate any residual risk of recourse to the company. In 2016, we entered into a similar factoring arrangement with Wells Fargo in the

United States. As a result of these arrangements, we no longer account for our factoring arrangements as debt. See Note 4.7 to our financial statements as of and for the year ended December 31, 2020 included in this Offering Memorandum. As of June 30, 2021, we had total receivables transferred of €88.7 million.

Other Indebtedness

Our other indebtedness includes borrowings by the Issuer, SNF HC, SNF China, SNF UK and SNF India, working capital facilities at our Japanese subsidiary and several small working capital facilities at our other subsidiaries. Other indebtedness also includes accrued interest reflected on our balance sheet.

Borrowings by the Issuer under bank financing arrangements, other than the senior revolving credit facility and the EIB Loan, amounted to €132.8 million as of June 30, 2021, including principally:

- A $65.0 million facility agreement with Bank of America Merrill Lynch International Limited entered into on April 9, 2018, which accrues interest at LIBOR + a variable margin determined on the basis of our net leverage ratio and of which $65.0 million was outstanding as of June 30, 2021.
- A €50.0 million facility agreement with BNP Paribas entered into on March 27, 2018, as amended on August 23, 2018 which accrues interest at EURIBOR 3 month + a variable margin determined on the basis of our net leverage ratio and of which €50.0 million was outstanding as of June 30, 2021.
- A €30.0 million facility agreement with Lyonnaise de Banque entered into on February 15, 2018, as amended on April 1, 2019, which accrues interest at a fixed rate of 0.47% and of which €9.9 million was outstanding as of June 30, 2021.

Bank debts correspond mainly to loans taken out, in the United States (€14.1 million) and in France (€313.0 million). In May 2021, SPCM repaid a bilateral line of €50.0 million that had expired.

Borrowings by SNF HC or its subsidiaries under bank financing arrangements other than the revolving credit facility amounted to €14.1 million as of June 30, 2021, including principally:

- a €28.5 million facility agreement with Bank of America Leasing & Capital, LLC entered into on December 11, 2014, which accrues interest at 3.23% and of which €4.1 million was outstanding as of June 30, 2021; and
- a €22.0 million facility agreement with Bank of America Leasing & Capital, LLC entered into on December 17, 2015, which accrues interest at 3.32% and of which €4.3 million was outstanding as of June 30, 2021.

Our worldwide subsidiaries have entered, and will continue to enter into, working capital facilities with local financial institutions in order to operate their businesses and manage cash flows.

Ratios

As of June 30, 2021, our net debt to EBITDA ratio decreased to 2.28x as compared with 2.03x as of December 31, 2020.

As of June 30, 2021, our net debt to shareholders' equity ratio decreased to 0.67x as compared with 0.71x as of December 31, 2020.

For the purpose of calculating the leverage ratio associated with our bank covenant, we use the average exchange rate between euros and U.S. dollars for the year instead of the closing rate.

Contractual Obligations and Commercial Commitments

We have entered into several long-term contractual obligations and commercial commitments as described below. In general, we do not have long-term contractual commitments with our customers or suppliers where we are required to purchase or sell products or supplies at fixed prices.

We have also used capital leases and, particularly in the case of our French manufacturing facility at Andrézieux, sale and leaseback arrangements as part of our financings. These sale and leaseback arrangements are capitalized and reported as capital leases. As of June 30, 2021, we had €0.3 million in capital leases outstanding.

See Note 9.1 to our audited consolidated financial statements for a summary of our contractual obligations and payments due by period. See Note 7.13 to our audited consolidated financial statements for the year ended December 31, 2020 for a breakdown of our outstanding indebtedness by maturity.

Hedging Activities

We do not hold any hedging instruments.

Capital Expenditures

We have historically made capital investments in order to, among other things, increase our production lines, modernize our facilities and build new manufacturing facilities. We also regularly review acquisition and investment opportunities. We may fund these investments through internally generated funds and the issuance of debt or a combination of these methods. Our capital expenditures are driven largely by our development of new manufacturing facilities and, therefore, will fluctuate in accordance with the construction status and start-up of our facilities. A significant portion of our capital expenditures is discretionary and can be reduced on relatively short notice.

Our capital expenditures (excluding intangibles) for 2018, 2019 and 2020 were €314.7 million, €315.7 million and €272.3 million, respectively. Our capital expenditures for the six months ended June 30, 2020 and 2021 were €155.9 million and €122.7 million, respectively. Capital expenditures in 2018 and 2019 were in line with our plans, which included the development of new manufacturing facilities and the expansion of production capacity. In 2020, the significant majority of our investments concerned the United States and France. In 2021, capital expenditures are in line with our investment plan and growth prospects in particular regions.

INDUSTRY OVERVIEW

Polyacrylamide, or "**PAM**," is a water-soluble polymer that is mainly used as a flocculant, which facilitates the separation of suspended solids from liquids, as a viscosity modifier, which alters the thickness of liquids and as a drag reducer, which decreases the pressure drop along a segment of pipe. PAM has a variety of applications, including waste water treatment, drinking water production, enhanced oil recovery, or "**EOR**," other oil and petroleum applications, mineral extraction, pulp and paper manufacturing, agricultural aids, textile additives, personal care ingredients and home care ingredients.

PAM is commercially available in various liquid or solid states and in different physical forms, the most common being powder, microbead, solution, and emulsion (suspended in another substance with which it does not mix).

Water Treatment Applications

Water treatment applications provide water treatment chemicals and associated process chemicals across a broad spectrum of industries, institutions and municipalities. Waste water is often first treated with a coagulant, which lowers particles' resistance to each other. The waste water is then treated with a flocculant, which acts to combine the primary particles neutralized by the coagulant. The primary function of PAM's use as a flocculant in both the municipal and industrial markets is to remove harmful waste from water by clumping suspended solids together so that they settle more quickly. Settled waste and sludge is then separated and then removed from the treated water. Flocculants are also used for sludge dewatering, a process that separates the liquid and solid portions of sludge, thus reducing the costs of sludge disposal.

Flocculants are classified according to their electrostatic properties and by their use, depending on the chemical properties of the water that is being treated:

- *Anionic*, which have a negative charge, are usually copolymers of acrylamide and acrylic acid (used to a limited extent in water treatment, but used primarily for mining applications and EOR);
- *Non-ionic*, which have a neutral charge and are acrylamide-based (used in a variety of industrial, mining, papermaking and municipal waste water applications); and
- *Cationic*, which have a positive charge and are most often copolymers of acrylamide and cationic monomers (used primarily in waste water applications).

There is an increasing shift away from inorganic coagulants, such as aluminum or ferric salts, in favor of organic PAM, mainly due to stricter environmental rules on disposal of waste materials. The benefits of organic polymers are twofold: although more expensive, organic polymers may perform better (i.e., they require less dosage); secondly, aluminum or ferric salts themselves contaminate water by releasing soluble metal ions into the water system, which then need to be removed, and organic PAM is ecologically better and more versatile in applications.

The worldwide market for drinking and waste water treatment chemicals can be divided into three primary end-use segments based on their application: municipal, commercial and industrial. The key end markets for water treatment products are the industrial sector and the municipal market. Municipalities typically purchase chemicals for waste water, and, to a lesser extent, drinking water treatments, directly from manufacturers. Industrial users typically purchase PAM from resellers or service companies that provide water treatment chemicals as well as services. Typical end markets served by full service water treatment packages include aerospace, chemical, pharmaceutical, steel, power, food and beverage, medium and light manufacturing, metalworking and institutions such as hospitals, universities and hotels.

Demand in the specialty water treatment chemicals market is driven by: (i) rapid development and investment in industrial and municipal water treatment networks in emerging markets such as China and India; and (ii) more stringent legislation due to increased public and environmental concerns, particularly in developing countries. Growth in the municipal segment is, to a greater extent, dependent on the budgetary allocations made by municipalities; growth in the industrial sector is tied to the growth in business activity. Gains in the water treatment chemicals market will result from increasing use of them in developing nations. In developed regions, advances will be prompted by continuing shifts within the industrial sector toward higher-value, lower-volume specialty chemicals and proprietary formulations over low-cost commodity chemicals. Gains in the industrial market will result from rising production of end-use products, in particular pulp and paper and chemical products.

In many developed nations, use of more expensive, environmentally compliant products has been prompted by tightening regulations regarding drinking water, industrial process water, and municipal and industrial effluent. Demand has

also been stimulated by continuing trends in most manufacturing industrial markets and the utilities sector toward greater use of recycled water, which tends to create more problems with microbial growth, corrosion and scale deposition.

Oil and Petroleum Applications

Oil and petroleum applications serve the processing and water treatment needs in the petroleum market, including the oil recovery market. The use of PAM in these applications facilitates oil and gas production through oil and water separation, flow assurance and drag reduction, and also improves operating process efficiencies, product yields and product quality. Among other uses, PAM can be used to enhance drilling fluids (for example, in fresh-water or salt-water muds), in hydraulic fracturing (a widely-used method of increasing production from an oil or gas well, in which fluids are pumped down a natural gas or oil well at pressures sufficient to create fractures in a hydrocarbon-bearing rock formation, which allows hydrocarbons to flow more freely to the surface), to help balance pressure in a reservoir so that more oil or gas may be removed, to stimulate production, and to descale the well bore.

PAM is also used in enhanced oil recovery, or "**EOR**," which is perhaps the most common category of modern oil recovery methods and involves injecting water that contains polymer into a reservoir, which causes the remaining oil to more easily move through the reservoir's porous rock and towards a well bore. Polymers can be used alone or in conjunction with surfactants, which lower the water's surface tension and increase its wetting and spreading capabilities so that it can pick up more oil on the way to the well bore. Depending on regional and oil field variations, in primary oil recovery approximately 10-15% of the original crude oil in a reservoir is recovered, leaving more than 85% of the oil in the ground. In secondary recovery, another 10-15% of the original oil in the reservoir can be recovered by flooding the area with water. However, at this stage, more than 70% of the oil remains in the reservoir. In EOR, PAM is introduced into an oil reservoir with water, leading to a total of 35-50% of the oil being recovered from a reservoir. Polymer flooding has been used and technically proven in the United States since the 1970s. In the mid-1980s, polymer flooding was introduced in China, where it became a major and very successful oil recovery method. The total cost of the polymer flooding technology is approximately $6 per barrel which, despite current low oil prices, makes it an attractive oil recovery method. The market for polymer flooding technologies has increased rapidly since 2006, especially in the United States, China and Canada. Polymer flood pilots are being built in numerous geographies and we expect the market will continue to grow very steadily in the coming years.

PAM is also used in extraction processes used on oil sands, and we have a significant market for these applications in Canada.

Pulp and Paper Applications

Process chemicals are used throughout all phases of the papermaking process for all grades of paper to enhance the manufacturing process, improve product quality and performance and enhance the properties of the end product. Pulp and paper chemicals include pulp and fiber treatment chemicals, such as: (i) de-inking agents, which are used early in the paper making process to prepare the pulp for production; (ii) processing aids, such as defoamers, pitch-control agents and retention and drainage aids, which are used to improve the efficiency of paper production; and (iii) functional chemicals, such as sizing agents and strength aids, which impart various properties to the finished product. The main application of PAM in the paper industry is as a retention aid, using flocculants to retain size particles. Water treatment chemicals are also used in paper mills, and are designed to optimize water usage and/or improve water quality, maintain the integrity of and extend asset lives as well as assist end users in complying with environmental and other regulatory requirements.

Quality requirements for new and existing products, productivity, costs and environmental issues in the papermaking process are the main driving forces for research and development activities, capital investment, growth in consumption and selection of specialty paper chemicals.

The increased use of state-of-the-art machinery and production technologies in paper mills has created new applications for chemical additives. Cost-containment initiatives have been undertaken by papermakers to increase mill productivity and efficiency through increased use of specialty paper chemicals as an alternative to capital expenditures. For example, faster machine speeds necessitate better and quicker drainage, increasing demand for drainage and retention aids, the main applications for PAM. Additionally, increased speeds will require greater web sheet strength, which can be achieved through the use of strength additives that enhance bonding between fibers. Processing aids such as defoamers, pitch control agents and retention and drainage aids serve to enhance the efficiency of the paper production process and optimize water costs.

Increased environmental consciousness, technological advances, and the lower cost of recycled paper as well as a commitment by papermakers to invest in new recycling capacity have also facilitated this transition. The use of recycled paper in paper production requires the use of specialty paper chemicals such as de-inking and pulping agents.

Mining Applications

Chemicals are used in a variety of applications in the mining industry. Generally, they are used in metal (such as copper, silver, and aluminum) and coal mining to increase the amount of materials extracted from the earth.

In mining applications, PAM is used as a flocculant in mineral extraction to separate aqueous mineral suspensions into their component solid and liquid phases. For example, PAM is used in a process called "leaching," in which a metallic compound is extracted from an ore by dissolving it in a suitable solvent, such as water, sulfuric acid, or sodium cyanide solution. The target metal is then removed from the "pregnant" leach solution by the introduction of a chemical, such as PAM. In many cases, the mineral particles settle out of suspension very slowly, so that the liquid-solid separation is slow and incomplete. To improve the settling rate, high molecular weight organic polymers (flocculants) are used to aggregate the suspended particles, and cause the efficient separation of the solids from the aqueous suspending medium.

As a mining reagent, PAM can be used, for example, in aluminum processing (to reduce solids in thickener outflow, to improve filtration, as a scale-reducer and to increase capacity) and coal processing (to increase the grade of coal recovered, and to improve coal recovery).

Monomers and Coagulants

Monomers are chemicals involved in polymerization as the main building block. The monomer will be repeated several times in the polymer and can be blended with other monomers to form copolymers, terpolymers, etc. The typical number of repeating units in a polymer varies from 10 for dispersants, to 1,000 for coagulants and up to 500,000 for flocculants.

We are the largest producer of acrylamide through an enzymatic process where acrylonitrile is converted to acrylamide in mild and clean conditions. We produce ADAME as an intermediate product for the production of ADAME MeCl, the quat ammonium monomer used for the production of cationic PAM. We produce the DADMAC monomer used to produce quat ammonium polymers. Ecolab, Ashland, 3F and BASF are also producers of quat monomers.

Quat ammonium polymers are one type of water-soluble polymer used in water treatment and mineral processing. Highly charged polymers are used as coagulants; lower charged polymers are used as flocculants.

PolyDADMAC and polyamine are the main organic coagulants found in the market. They cause the agglomeration by destabilization of finely divided particles into larger particles in water treatment, which can then be removed by settling and/or filtration.

Other PAM Applications

PAM is also used in other applications, for example as agricultural aids, textile additives, personal care ingredients or home care ingredients. Process chemicals and services are used to enhance the performance and productivity of numerous processes. Cosmetic ingredients are used to improve the stability and performance of skin and hair care products. Process chemicals also include a variety of odor control products used in institutional and industrial applications. The market for these products varies with the market for the end products created.

BUSINESS

Overview

Our Company

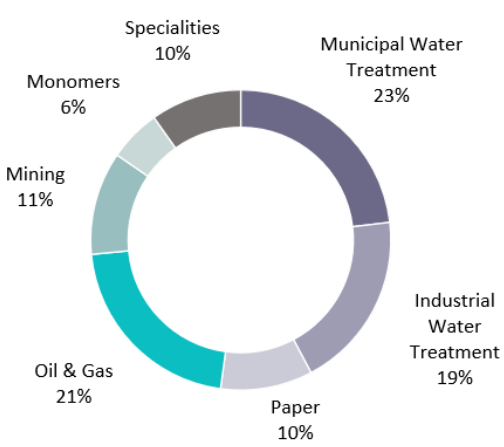
We believe we are the world's largest producer by revenue and volume of polyacrylamide, or "**PAM**," a water-soluble specialty chemical used in water treatment, oil and gas applications (including enhanced oil recovery, or "**EOR**"), mineral extraction, pulp and paper manufacturing and other industries. PAM has a broad variety of industrial and commercial uses as a flocculant, which facilitates the separation of suspended solids from water, as a viscosity modifier, which alters the thickness of liquids, and as a drag reducer, which decreases the pressure drop along a segment of pipe. In addition to PAM, of which our production accounted for an estimated 48% of the world's production capacity in 2020 and from which we generated approximately 83% of our 2020 net revenue, we also produce and sell related specialty chemicals such as coagulants, which are used primarily in water treatment, and monomers, which are a component of PAM. We also sell dispersants, which are used in the paper, household products and mining industries; mining reagents, which are used in the minerals processing industry; and equipment that facilitates the utilization of PAM. For the twelve-month period ended June 30, 2021, we had net revenue of €3,085.4 million, EBITDA of €521.5 million and income after tax of €166.4 million. For a reconciliation of EBITDA to Recurring operating income, see *"Summary Historical Consolidated Financial Information*."

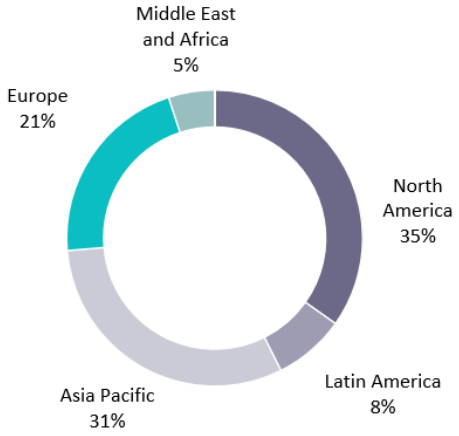
Since we were founded in 1978, we have implemented a strategy of organic growth and selective acquisitions of manufacturing operations to create an international manufacturing and sales platform that has enabled us to achieve a leading global share of our chosen markets. We benefit from large modern manufacturing facilities in France, the United States, China, India and South Korea and several smaller manufacturing facilities around the world, and from a direct sales force that reaches more than 40,000 customers, according to our estimations. We also benefit from a distribution network that consists of approximately 850 distributors and resellers around the world. We believe that our products are sold in more than 130 countries and that we reach more than 400,000 end users worldwide.

We offer a large product portfolio of approximately 1,060 product formulations tailored to address end-user requirements, which we sell to a diversified customer base across multiple industries. We estimate that our net revenue for the twelve months ended June 30, 2021 was accounted for as follows: municipal water applications (approximately 23%), industrial water treatment applications (approximately 19%), oil and gas applications (approximately 21%), mining applications (approximately 11%), pulp and paper applications (approximately 10%), other specialty applications, such as agricultural aids, construction chemicals, textile, home and personal care products, (approximately 10%), and monomer sales (approximately 6%).

Our sales were also geographically diverse and, of our net revenue for the twelve months ended June 30, 2021, 35% came from North America, 31% from Asia Pacific, 21% from Europe, 8% from Latin America and 5% from Middle East and Africa.

Net Revenue by Industry and Geography for the Twelve Months ended June 30, 2021





Source: Company/Management Information

Historical Background

We began producing flocculants for water treatment under the name Streichenberger in 1968 with a license from a small English chemical company. In 1970, Streichenberger was purchased by a French subsidiary of British Petroleum, which resold the company eight months later to a subsidiary of W.R. Grace.

In 1978, our then-technical director, René Pich, led a management buyout from W.R. Grace. Following the buyout, we began to develop our research and development, production, and sales capacities. Approximately 25 years ago, we began our U.S. operations with the acquisition of our current Riceboro, Georgia site, and following that, made several key acquisitions to increase U.S. capacity. Key events in our history since 1999 are as follows:

- **1999**: At our Riceboro, Georgia site, we brought additional DMAEA production lines online, which increased the capacity of this plant to approximately 48,000 metric tons per year. We also increased PAM production in France by approximately 20,000 metric tons, and emulsion PAM by approximately 10,000 metric tons. We also increased emulsion PAM and powder PAM capacity at our Eyang joint venture in South Korea, and founded our Taixing, China operations, to produce water treatment and EOR chemicals.
- **2000**: In the United States, we added an additional 10,000 metric tons per year capacity in powder PAM and emulsion PAM, as well as increased Mannich PAM capacity. In France, we added an additional 10,000 metric tons per year capacity in powder and emulsion PAM, and brought additional polyamine lines online. We also opened new PAM manufacturing plants in Indonesia and Australia, and built additional production lines at our Taixing manufacturing facility in China.
- **2001-2002**: We built two additional PAM production lines at our Taixing site, and completed the acquisition of our business in India, which currently has powder PAM capacity of 10,000 metric tons annually.
- **2003**: Construction of our new Andrézieux site for PAM production and the expansion of powder PAM production lines in France, with additional expansions to PAM and monomer production lines in the United States.
- **2007**: Award of the first large EOR construction contract for PDO in Oman.
- **2008**: We built two additional 20,000 metric tons per year PAM production lines at our Riceboro, Georgia site.

- **2009**: We purchased 1,000 acres of land in Plaquemine, Louisiana for the construction of a new PAM manufacturing facility.
- **2011**: We started operations in our new plant in Plaquemine, Louisiana.
- **2014**: We acquired the remaining 50% shares of our joint venture with OCI / Eyang in South Korea.
- **2016**: We started operating a new acrylamide line in our plant in Ulsan, South Korea.
- **2017**: We started operations in our new PAM plant in Rudong, China
- **2020**: We started operating a third PAM line in our new plant in Rudong, China. By the end of 2020, our existing PAM production capacity was in excess of 1,235,000 metric tons.

Throughout our history, we have continued to innovate, back integrating several of our key raw materials and, in particular, beginning to produce bioacrylamide using the enzymatic process and making key investments in products for mining reagent manufacturing.

Competitive Strengths

We believe that we have the following key strengths:

World Leader with 48% of Production Capacity

We believe we are the world's largest producer of PAM, accounting for approximately 48% of global production capacity in 2020. At our 21 facilities, we currently have the capacity to produce approximately 1,235,000 metric tons of PAM per year in active equivalent ("active equivalent" is determined based on the concentration of PAM in its different forms to reconcile its dilution in liquid, emulsion or powder in determining production and capacity). Our leading market position has allowed us to develop expertise in the research and development, production, marketing and sales of PAM that ultimately benefits a broad end user base. We are also a market leader in each of the principal regions we address, including North America, Europe/Africa and Asia-Pacific, with approximately 72%, 46% and 36% of the production capacity in such regions, respectively, as of December 31, 2020.

Attractive End-markets' Volume Growth Potential

We market and sell our products in four primary markets: water treatment, oil and gas, mining and paper industries, complemented by several other niche markets including agricultural, construction, textile and home and personal care industries, which have demonstrated stable year on year volume growth since 2014. Overall, the total volume of our end-markets grew at a CAGR of approximately 10% between 2014 and 2019.

Water treatment applications, combining municipal and industrial applications, are expected to be one of the main growth drivers of demand in the short-term. Between 2014 and 2019, municipal water treatment proved to be a stable and resilient market, and grew at a CAGR of approximately 3%. Industrial water treatment grew at a CAGR of approximately 13%. Due to greater urbanization and a rising standard of living leading to increased investment in water treatment, we now expect increased demand for PAM, as well as certain of our other water treatment products, from Eastern Europe, Asia and, to a lesser extent, South America.

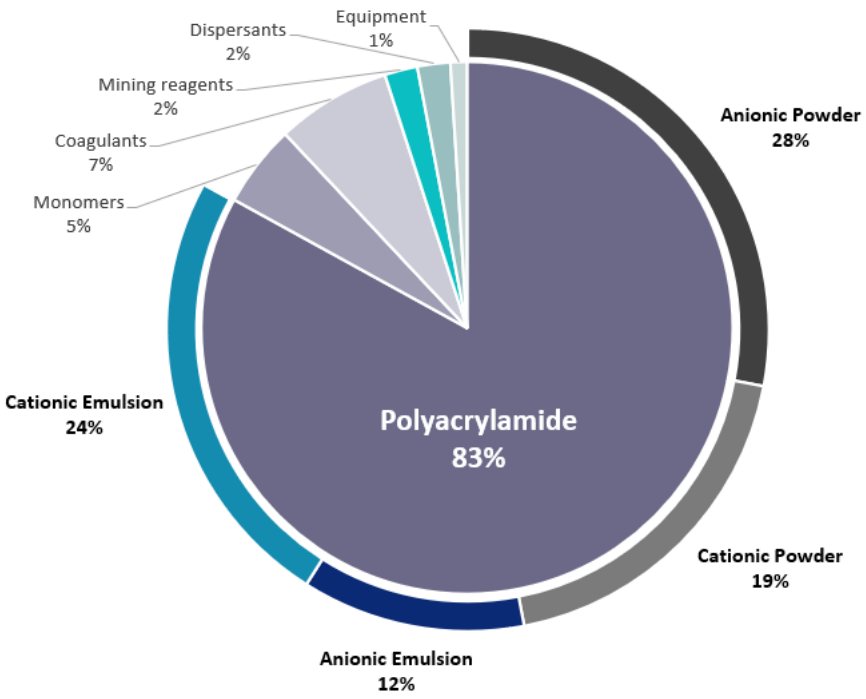
Oil and gas applications drove overall growth between 2014 and 2019, growing at a CAGR of approximately 13%. This growth accelerated between 2015 and 2019, with volumes growing at a CAGR of approximately 22% over that time period. Growth in this end-market has mainly been attributable to EOR, which enables oil companies to generate greater yields from their existing wells, and hydraulic fracturing, where our products are used as drag reducing agents. In EOR, we believe we have positioned ourselves as leader after acquiring EOR technology from Dow Chemical in 1987 and Pfizer Oil Division in 1992, developing it and improving it over the years. We believe we are now positioned to benefit from increases in demand for polymer flooding in the global EOR market with 143 ongoing EOR projects as of December 31, 2020, compared to 114 in June 2010 and 86 in December 2008, as oil producers face more stringent regulation and need to reduce CO2 emissions at their existing wells. In hydraulic fracturing, our products provide substantial benefits in reducing the energy required for oil extraction.

Both the mining and paper applications markets grew at a CAGR of approximately 9% between 2014 and 2019. In the mining application market in particular, growth was driven by investments in production lines for mining reagents, which increase the quality and amount of the ore or minerals that an end user may produce.

Large Product Portfolio Distributed Across Geographies and Industries to a Highly Diversified and Loyal Customer Base

We have a range of approximately 1,060 product formulations. These formulations take a number of different physical forms such as powders, beads, emulsions, liquids and dispersions, depending on their end use. Our products also have a number of different chemical properties (anionic, cationic, non-ionic) and a number of different molecular forms (linear, branched, cross-linked, comb, star). Our knowledge in combining these different characteristics gives us the ability to tailor our products to specific applications and the specific requirements of end users. We industrialized more than 135 new products in 2020.

2020 Sales by Products



Source: Company/Management information.

We have broadened our product range by diversifying into additional products in industries where end users require bundled products. We can provide our primary product, PAM, in connection with other products, such as coagulants, which are also used in water treatment. We have successfully employed this strategy for many end users, especially municipal and mining end users. Furthermore, for water treatment applications, we sell certain products to our resellers who have their own specialized product lines that complement ours to better serve markets such as the boiler or cooling water treatment markets.

Our business model is diversified across industries, applications, customers and geographies. We market and sell our products in four primary markets: water treatment, oil and gas, mining and paper industries, complemented by several other niche markets including agricultural, construction, textile and home and personal care industries. Our primary product, PAM, has a variety of industrial and commercial applications in these industries as a flocculant, viscosity modifier and drag reducer. We also produce a range of other products, including coagulants, monomers, dispersants, mining reagents, activated carbon, mineral coagulants and defoamers, which also support different applications across the industries we service.

Our customers represent a variety of stable consumer, municipal and industrial end markets across diverse geographies, particularly in North America, Asia Pacific and Europe. Our customers include municipalities, pulp and paper companies, oil and gas companies, mining companies and companies in several other industries that use our products for water treatment and, in the case of oil and gas and mining companies, to improve the extraction of oil and minerals. In particular, we sell PAM and other products to numerous municipalities and major cities in Europe and North America for

treatment of their water. Most of our customers have had relationships with us for a number of years, and we believe that our customer retention rate is high.

Modern and Geographically Diverse Production Capacity Combined with High R&D Focus

We have designed and built large, cost-effective and high-quality manufacturing facilities in France, the United States, South Korea, India and China that we believe are among the most modern in the industry. We have seven major plants in France, the United States, India, China, and South Korea, as well as 14 additional production sites. By having major manufacturing sites in our key markets, we are able to provide our products more quickly to our customers and end users, and have chosen sites where we will be able to expand. Additionally, our costs in any particular currency in these markets generally match the currency in which sales are realized, thereby reducing our exchange risks for these markets. Our revenues and expenses are mainly generated or incurred in US dollars, euro and Chinese yuan, which for the six months ended June 30, 2021 accounted for 49%, 19% and 14%, respectively, of our revenues, and for 39%, 19% and 20%, respectively, of our operating expenses. We have also established a standard design for our main production lines, which has enabled us to shorten construction time, to simplify maintenance across our different sites and to provide the flexibility to shift production from region to region as needed.

Our existing PAM production capacity is approximately 1,235,000 metric tons. We have a second new PAM plant in India, that has been commissioned in the first quarter of 2021. This plant is located in Gand-hidham, Gujarat and covers approximately 30 hectares. It will produce acrylamide monomer and PAM powders. The PAM will be primarily dedicated to servicing EOR and export markets for the Asian market. In addition, we are in early phases for two additional plants in Russia and France. We expect these two plants to start operation between 2023 and 2025. Additionally, we constantly assess opportunities and regularly invest in our current plants to increase our production capacity, add product lines, enhance manufacturing productivity and reduce our costs of production. See "*—Properties—Plants under Construction or Planning*." We have a policy of seeking out joint ventures with knowledgeable partners with particular expertise in strategic areas related to our products.

In addition to our focus on PAM production capacity, we continuously monitor technical feedback from end users to enhance and expand our product range, and we develop new production formulations by working closely with targeted end users. Our research and development spending represented 1.7% of our sales in 2020. We have three main research and development centers and ten application laboratories at which we develop and test new product formulations. Our technical experts from research and development and on-field technical support represent a group of about 200 field specialists and 385 scientists and technicians, approximately 40% of whom are located in France, with the remainder being split between the United States, China and our other field operations. We introduce more than 100 new product formulations every year and have approximately 1,305 active patents in multiple jurisdictions. Our technical know-how relates to the production of PAM and our other products and involves expertise in monomer development, the polymerization process and polymer production, as well as performance applications for our customers. We have leveraged our technical expertise and research efforts to develop our sixth generation of bacteria used for the production of monomers and our fourth generation of polymer production units, enabling significant improvements in our production capacity and efficiency across our global operations. We also work with our customers in order to develop and provide tailored applications for our products and to optimize their ability to end users.

Efficient Pass-through Pricing Policies and Broad and Flexible Distribution Channels Resulting in Strong Profitability

We sell to approximately 40,000 customers, according to our estimations, including approximately 850 distributors and resellers, and we believe that in total we reach more than 400,000 end users. In 2020, no single customer accounted for more than 3% of our net revenue, and our ten largest customers represented approximately 14% of our net revenue. In the six months ended June 30, 2021, our top ten customers accounted for approximately 17% of our net revenue, of which 62% by revenue were direct customers and 38% by revenue were service partners, and spanned the following end-markets: oil and gas applications (51% by revenue), monomer sales (31% by revenue), industrial water treatment applications (13% by revenue), and pulp and paper applications (5% by revenue).

We directly sell our products in more than 40 countries through our local subsidiaries and through our own sales team of approximately 475 salespeople. We also benefit from a global network of resellers who distribute our products in more than 130 countries. We have implemented a strategy that has enabled us to cover our market segments globally. We have established operations in three key markets: North America, Asia Pacific and Europe, with the ability to service clients directly from manufacturing sites located in each of these areas.

While we are exposed to raw material price fluctuations, including fluctuations in the price of propylene, we are able to pass such cost increases on to our customers through formula-based contracts and price lists that are regularly updated to reflect market costs of raw materials, each of which represented 33% and 44% of our sales in 2020, respectively. Fixed price contracts are mainly used in the municipal water treatment end-market, while contracts used in our oil & gas and industrial water treatment end-markets are well balanced between price lists and formula-based contracts. Our pass-through pricing policies allow us to maintain control of our margins.

Our marketing efforts are generally tailored to customer type:

- high volume and low service end users are approached directly by our global sales team. These end users are typically required to deal directly with product manufacturers, not resellers, and include many large municipalities, as well as mining and oil companies; and
- lower volume and more specialized end users are often covered by our network of resellers, giving us access to a substantial extended global sales force. In addition, we have established strategic relationships with a number of the large service-driven resellers who provide high-end services to their customers.

We have successfully increased the share of net revenue generated by our direct sales force from an estimated 25% in 2005 to an estimated 64% in 2020, which has contributed to our enhanced profitability.

Proven Operating and Financial Track Record Supported by a Conservative Financial Policy

We have generated stable cash flow in recent years, due to both the increasing scarcity of key natural resources which has increased our sales and our various cost initiatives to improve the profitability of our existing and new plants. Between 2010 and the twelve months ended June 30, 2021, our net revenues grew at a CAGR of 7.5% and our EBITDA grew at a CAGR of 10.7%, showing a strong and resilient operational and financial track record.

Our sound investment strategy and financial policy have led to continually improved ratings in the past ten years and improved leverage and gearing ratios. As of December 31, 2020, our corporate ratings assigned by Moody's and S&P were Ba1 and BB+, respectively compared to B1 and BB- in 2010. As of June 30, 2021, our net debt to EBITDA ratio increased to 2.28x as compared with 2.03x as of December 31, 2020. As of June 30, 2021, our net debt to shareholders' equity ratio decreased to 0.67x as compared with 0.71x as of December 31, 2020.

Leading sustainability platform

We have been dedicated to sustainability and have placed significant focus on minimizing the environmental impact of our activities and reducing the footprint of all our industrial sites.

Our products address the issue of water scarcity, which is exacerbated by population growth, increasing urbanization and standards of living and more complex regulation. We aim to preserve natural resources in all our markets through water treatment, extraction of key minerals and optimization of hydrocarbon resources. More specifically, we are instrumental in water treatment for about 800,00,000 people and in cleaning and recycling water for over 10,000 industrial sites. We constantly strive to optimize our mining processes which can be potentially pivotal to the energy transition, achieving lower levels of water consumption and hydrocarbon emissions for the production of oil.

Our focus on clean water and sanitation, climate action, reasonable consumption and production and life on land, and the overall alignment of our activities with the United Nations Sustainable Development Goals ("SDGs"), has been recognized with awards, high sustainability ratings and metrics, consistently superior to our peers across the environmental Key Performance Indicators ("KPIs").

Experienced Management

We believe our experience helps us identify growth and investment opportunities in new areas, products lines and target industries in order to strengthen our leading position in the industry. We have a professional and committed management team, consisting of executives with significant experience in the chemical industry, marketing, product development and acquisitions, who are focused on successfully implementing our business strategy and have a successful track record of growing our business and enhancing our profitability. Our chief executive officer, Pascal Remy, has over 30 years of experience in the specialty chemical industry.

Business Strategy

Help Battle Water Scarcity and Preserve Natural Resources

We are focused on geographic and industry specific markets with high volume growth potential for our products driven by the increased scarcity of natural resources, especially water. Indeed, by providing products to treat water for use in both industrial and municipal application, optimize mining processes, enhance oil recovery for existing reserves and reduce water needs for mining and oil and gas extraction processes, we prove instrumental in battling water scarcity and preserving natural resources.

In the water treatment market, which represented 44% of our sales for the twelve months ended June 30, 2021, we treat water for over 800 million people, and clean and recycle water at over 10,000 industrial sites.

In the mining market, which represented 12% of our sales for the twelve months ended June 30, 2021, our products are used for the optimization of mining processes and reduction of water needs as well as the extraction of key materials essential to the energy transition.

In the oil and gas market, which represented 20% of our sales for the twelve months ended June 30, 2021, oilfield operators using our polymers in their polymer flooding operations for EOR are able to reduce the water and CO2 needed to produce a barrel of oil. Polymer floods lead to three to six times less water and two to six times less CO2 per barrel of oil, as compared to water flooding. These reductions are primarily achieved through a more efficient sweep of oil within the reservoir, resulting in water cut reduction and, ultimately, a decrease in required pumping energy at the producers and less taxing on fluid separation equipment and processes.

In addition to our role in battling water scarcity and preserving natural resources in our end-markets, we also strive to minimize the environmental impact of our own activities and reducing our footprint on all our industrial sites. Our efforts to reduce our water consumption have allowed us to use 20% less water than we needed ten years ago to produce one ton of finished product. We constantly monitor our water consumption by installing flow meters, detecting leaks and upgrading fire circuits and are focused on finding ways to optimize our use of water by, for example, recovering rainwater and recycling water from boiler washings or condensates.

We are also committed to preserving natural resources by continuous improvement of our manufacturing sites to reduce energy needs, including through the design and purchase of energy-efficient equipment. We have developed a range of more than one thousand products that help to preserve our natural resources, promote recycling and improve the efficiency of industrial processes. Our key focus areas are aligned to the United Nations 2030 Agenda for Sustainable Development including, among others, good health and well-being, clean water and sanitation, sustainable cities and communities, responsible consumption and production and life below water. We estimate that approximately 90% of our sales align with the United Nations 2030 Agenda for Sustainable Development.

In July 2021, we obtained an A1 sustainability rating from VigeoEiris. According to the VigeoEiris report, we display a strong willingness and capacity to integrate environment, social and governance factors into our strategy (receiving a score of 63 in "Environmental," compared to the sector average of 44 and 69 in "Social," compared to the sector average of 43), operations and risk management, with robust results on managing risks related to human capital and legal security.

Maintain our Chemical and Engineering Technical Leadership

We believe that our technical capabilities in the applications for PAM result from our knowledge of the needs of end users and from our ability to continually adapt our product range to provide innovative solutions to our customers. We have also continued to develop specific products for value-added resellers. Some of our most innovative resellers are also focusing on niche markets for our products that could represent potential new markets. We are supporting these needs, so long as we stay within our core chemical and manufacturing competencies and address the needs of our customers and we constantly seek to improve the quality of our products.

Reinvest Cash Flow in Operations

We have historically invested a significant majority of our cash flow from operations back into our business in order to increase our production capacity, improve the quality of our operations, and make investments in existing projects and new strategies, such as our EOR business. We have a history of very low dividend distribution, and we plan to follow this pattern in the future.

Focus on Low Cost Production Advantages

We continue to seek to reduce our costs of production. We also continue to focus on internal volume growth in order to increase our revenue and achieve economies of scale. We strive to enhance manufacturing productivity and will continue to make investments to achieve this aim. We will seek to increase plant capacity at existing plants to spread our fixed costs and to build new plant capacity in new markets where we believe there is strong market demand, such as the United Kingdom, Brazil, Russia, India and China.

Our Products

We have over 1,060 separate and distinct product applications, which encompass a number of product categories and product types. We produce PAM (used as a flocculant, viscosity modifier, and drag reducer), monomers, coagulants (polyDADMAC and polyAmine), superabsorbants, dispersants and mining reagents.

These products are used in a variety of forms:

- physical (powders, beads, emulsions, liquids and dispersions);
- chemical (anionic, cationic and non-ionics); and
- molecular (linear, branched, cross-linked, comb and star).

The breakdown of our product lines as a percentage of 2020 net revenue is as follows:

PAM	83%
Monomers	5%
Coagulants	7%
Mining reagents	2%
Dispersants	2%
Equipment	1%

PAM

By physical form, 47% of our 2020 net revenue came from the sale of powder PAM and 36% of our 2020 net revenue came from the sale of emulsion and liquid PAM. Smaller portions of our sales also come from the sale of various other chemicals such as polyacrylate type dispersants, polyamines, polyDADMAC, DEC 50, xanthan gum, ethylene peroxide, and others (including anti-foaming agents, anti-odor agents, and dissolving materials). Of our 2019 net revenue from the sale of PAM, anionic powder represented 28%, cationic powder represented 19%, anionic emulsion represented 12% and cationic emulsion represented 24%.

PAM is used in three main families of applications:

- flocculation (used for water treatment, and in pulp/paper and mining applications);
- viscosity modification (used in the oil industry, as a thickener textile printing paste and for other uses, such as home and personal care); and
- drag reduction (used in hydraulic fracturing).

PAM for Flocculation

Flocculation is currently the main application of PAM. Flocculation is the mechanism by which suspended solids are separated from water. This application is widely used in potable water production, in municipal and industrial waste water treatment, in dredging, and in sludge dewatering. Flocculation also facilitates technical processes such as the production of paper (as a retention aid and drainage aid, and for pitch control) or in mining, for mineral extraction (hydro metallurgy and ore-matrix separation).

PAM for Viscosity Modification

The main market for this application is EOR. Other applications for PAM used as viscosity modifiers include textile, construction, home and personal care products. In textile applications, PAM is used as a thickener for printing paste.

PAM for Drag Reduction

Hydraulic fracturing currently is the main technology used for shale oil and gas exploitation and is the main drag reduction application for PAM. PAM is used to significantly reduce the pressure drop and the energy necessary to pump the fracturing fluid downhole.

Monomers

To improve and strengthen our competitive position, we also produce acrylamide and cationic monomers, the main building blocks of PAM and cationic PAM.

We have built plants to produce acrylamide using a new process based on enzyme technology developed in coordination with Mitsubishi Rayon Co., Ltd., (formerly Dia-Nitrix). This new bio-acrylamide process is based on a low-temperature and pressure-free bio-reaction, as opposed to a high-pressure, high-temperature chemical reaction, and has the advantage of being safer for the environment than its alternatives. This new process reduces the capital investment required for a given capacity, and we believe that our new plants have more efficient processes than those of our competitors. It is also a cheaper form of production. We have built production lines in France, China, South Korea and the United States with this process.

From acrylamide, we also produce and sell acrylamide derivatives, such as N-methylol acrylamide.

In the United States and in France, we have also built two large plants for cationic monomer production, used in conjunction with acrylamide monomers to produce cationic PAM. Both acrylamide and cationic monomers are used internally and also sold on the open market. In 2016, we commissioned the third cationic monomer line in China.

In the United States, we have also a large plant for cationic monomer used for the production of coagulants mostly (Dadmac).

Coagulants

The organic coagulants we produce are used in water treatment alongside flocculants, and our sales of coagulants are facilitated by our leading market position in flocculant production. In the United States and Europe, we have a significant amount of capacity to produce the organic coagulants Poly Dimethyldiallylammonium chloride (PolyDADMAC) and polyamines, which are used mainly in potable water applications.

Mining Reagents

In 2003, we launched a product line in mining reagents. Due to the increased scarcity of minerals, mining companies have to cope with ores of lower quality. As a result, processes have become more sophisticated and the demand for chemical means to increase ore quality has increased. Two main product categories of such chemicals are of interest to us: flocculants and mining reagents. These products are often bundled in a package by mining end users. As part of our mining reagent business we acquired 100% of Aotong, a major producer of xanthates located in China, in 2007. We also acquired all the assets of Gulf Industrial Products in 2011, a major producer of dithiophosphates located in Texas, United States. In 2016, we commissioned a new state-of-the-art xanthate plant in Rudong, China. As part of our strategy to be a world market leader in manufacturing and selling our products, we decided to concentrate our efforts on manufacturing only xanthates, a mining reagent widely used as a collector in the froth flotation of certain metals. As a result, we sold our other specialty mining reagents business to Clariant in October 2016 and our property in Texas in November 2017. In 2019, we decided to close our Aotong plant with the goal to manufacture all our xanthate products from our state-of-the-art Rudong plant going forward.

Miscellaneous Products

We carry products that complement our other product offerings, such as dispersants (used in paper, household products, and for mining), activated carbon, mineral coagulants and defoamers.

Equipment and Engineering

We also construct and sell equipment to facilitate the utilization of PAM by our customers. In 2020, 1% of our net revenue was generated by equipment sales.

Marketing and Sales

We market and sell our products in four primary markets, namely (i) water treatment, (ii) oil and gas, (iii) mining, and (iv) paper industries, complemented by other niche applications. Municipal water treatment comprised 24% of 2020 net revenue and industrial water treatment applications accounted for 20%. Other markets include oil and gas applications, comprising 20% of 2020 net revenue, including EOR, shale oil and gas exploitation and drilling applications; mining applications, which comprised 12% of 2020 net revenue, including polymer and reagent applications; and pulp and paper applications, which comprised 10% of 2020 net revenue. Other applications, which comprised 9% of 2020 net revenue, include products used as agricultural aids, construction chemicals, various textile additives, personal and home care ingredients. 5% of 2020 net revenue came from sales of monomers.

We believe we have a flexible market channel, which enables us to have wide market coverage and to tailor the service support associated with the products we sell to the needs of customers. Approximately 64% of our sales are made directly to end users in more than 40 countries through our local subsidiaries and through our sales team of about 475 salespeople. These direct sales are generally made following a bid process, typically for a one-year term, to large municipalities that require direct access to manufacturers. We also sell directly to some oil and mining companies. In some circumstances we will alter the services that we offer in order to meet our customers' needs. For example, in our contracts with PDO, we agreed to provide primary contractor service for the construction of a polymer solution and injection facility and a water treatment facility in addition to offering our product supply services. For our applications that require a high level of service, we also make sales through service-driven resellers, which include Ecolab (Nalco), BASF and Solenis (Hercules and Drew). Approximately 10% of our sales are made through service-driven resellers.

Approximately 26% of our sales are made through approximately 850 distributors and resellers, who can provide broad coverage of the end-user market through an extended sales force and distribute our products in more than 130 countries. Generally, we have non-exclusive agreements with these distributors, who typically supply technical assistance and on-site service to end users. Such distributors also often service niche markets, such as boiler and cooling water applications. These distributors are typically not exclusively PAM distributors, but rather general chemical distributors, who package our products with other chemical products to on-sell them to end users.

In the water treatment market, the majority of our business is conducted without a contract, under pricing agreements that may be renegotiated periodically, typically on a quarterly basis. Generally, our customers give us two to three weeks' notice of their product requirements, and send orders by fax or internet to individual production facilities. For example, if an order comes in from the United States, that order is filled from our production facilities in the United States. While shipping costs generally make it expensive to shift production from a facility in one region to a facility in a different region, (*e.g.*, to fill a European order from our U.S. production facilities), to the extent orders come in from regions where we do not have significant manufacturing capabilities or cannot produce certain products on their own, as our smaller production facilities target a narrower range of products, we can fill those orders from one of several of our production facilities.

Generally, prices are computed based on a formula that includes, among other things, raw material costs, and may include transportation costs. Pursuant to these arrangements, we are often required (given applicable notice periods) to match lower prices for the same materials offered by our competitors. If we cannot match these lower prices, our customers may purchase products from our competitors.

Where we conduct our business through contracts, a smaller percentage of our business is done through short-term, fixed-price contracts resulting from competitive bids. The remainder of our business is done through longer-term formula-based contracts or contracts with prices linked to a constantly updated price list that corresponds to raw material prices (particularly propylene). In 2020, our sales under formula-based contracts, fixed-price contracts and price list-correlated contracts accounted for 33%, 23% and 44% of our total net revenue, respectively.

Raw Materials

The main raw materials we use are derived from petroleum or gas (in the form of propylene and acrylonitrile), for which we have multiple sources in different parts of the world. Acrylamide is the basic building block of PAM and the primary raw material we exploit ourselves. We produce our own acrylamide and do not rely on outside sources (and also produce acrylamide for sale to customers and competitors).

We use the following raw materials, most of which are derived from propylene — a petroleum derivative — and which are acquired from one to two key suppliers in each region, when we do not produce them ourselves:

- acrylonitrile;

- acrylate of dimethylamino ethyl, or ADAME;
- methacrylate of dimethylamino ethyl, or MADAME;
- acrylamide-tertiary butyl sulphonic acid, or ATBS;
- glacial acrylic acid;
- methyl chloride;
- epichlorhydrin;
- dimethylamine, or DMA;
- methyl acrylate;
- dimethylamino ethyl alcohol, or DMOH; and
- allyl chloride.

We also purchase large volumes of caustic soda, aliphatic hydrocarbons and surfactants as processing additives for our PAM.

We have long-standing relationships with each of our raw material suppliers. Because of our size, we are able to take advantage of volume discounts offered by these suppliers.

Most of our raw materials are derived from propylene, a derivative of petroleum, and thus the market for our raw materials is highly variable, varying based on propylene prices, which fluctuate based on supply and demand, and, to a lesser extent, petroleum prices.

Sources: ICIS (Europe) and Tecnon OrbiChem (Asia and USA).

Most of our contracts for our significant raw materials are multi-year contracts that are generally allowed to be extended on a period-to-period basis after the end of the contract (usually a tacit renewal), which allows us to guarantee a minimum volume of raw material supply. However, generally the price we pay for our raw materials is adjusted on a quarterly or monthly basis, based on a formula made up of variables including propylene or other base material prices, and/or transport costs. Pursuant to these contracts we are generally also allowed (based on applicable notice periods) to require our

supplier to match lower prices for the same materials offered by other suppliers in the market. If our suppliers cannot match lower prices, we have the right to be released from some or all of our obligations under the supply contract. A small portion of our purchases of raw materials are spot transactions.

We carry an inventory of all raw materials of approximately two weeks, and, in some cases, longer, in order to avoid raw material shortages. Generally, we purchase raw materials in the same currency in which we sell the finished products, so there is limited foreign exchange risk exposure.

Research and Development

We benefit from our research and development effort, comprising about 200 field specialists and, 385 scientists and technicians, who are located primarily in France, the United States and China and are dedicated to the research and development of all applications we use, including powders, beads, emulsions, dispersions, liquids and water in water emulsions. We have three main research and development centers and ten application laboratories at which we develop and test new product formulations. We introduce a number of new products or formulations every year and have approximately 1,305 active patents in multiple jurisdictions. In 2020, our research and development expenses represented 1.7% of our net revenue.

Our technical expertise is centered on four key areas of competence:

- monomer development;
- polymerization processes;
- polymer products; and
- performance application.

We have an agreement with Mitsubishi Rayon Co for the license of the biological process for the manufacture of acrylamide. Through this license, we have access to the latest generation of enzymes, allowing us to continuously improve the efficiency of our manufacturing processes; we are currently testing the sixth-generation enzyme, which would allow us to significantly increase capacity without additional capital expenditure. See "—*Joint Ventures and Partnerships*."

We believe that continued research and development activities are critical to maintaining our leadership position in the industry and will provide us with a competitive advantage as we seek additional business with new and existing end users, distributors and resellers.

Intellectual Property

We do not rely substantially on patents or trademarks to do our business. Generally, much of our production comes from products that are already in the public domain, although we do selectively pursue patent applications to preserve our intellectual property rights relative to our competitors.

Our material trademarks include FLOQUAT (coagulants) and FLOPAM (drinking water and waste water), FLOFOAM, ODORFLO, FLOSPERSE (dispersants), and METALSORB (waste water), FLOPRINT, FLOFIX, FLOLINE, FLOLUX (all last four for textile), FLOSOFT (home care), FLODRILL, FLOPERM, FLOJET, SUPERPUSHER, FLOCOMB and FLOPAAM (all last six for oil and mining), FLOBOND and AQUASORB (agriculture) and FLOCARE (personal care).

We own or have licenses to use a portfolio of patents relating to a large number of products and processes, and have accumulated know-how that we believe produces better quality, low-cost products. We currently have a number of active patents in the United States, European Union and worldwide. We also have registered U.S. and EU trademarks covering our products.

We have an existing license with Mitsubishi Rayon Co for the production of biologic acrylamide that expires in 2023. See "— *Joint Ventures and Partnerships*."

Employees

As of June 30, 2021 we had 6,754 employees, of which 1,470 were located in France. We believe that our relationship with our employees is generally good, and we generally have low employee turnover.

As of December 31, 2020, some of our employees were members of labor unions and subject to collective bargaining agreements with us. We believe that our relationship with these labor unions is generally good. We have not had any strikes or work stoppages in our manufacturing facilities due to labor disputes in the past ten years.

Properties

Existing Plants and Properties

Our principal administrative offices and research facilities are located in Andrézieux, France. We own all of our manufacturing facilities, except for some buildings in France, which are subject to sale and leaseback arrangements, and have a network of small leased sales offices throughout the world.

A list of our current production facilities is as follows:

Continent/ Region	Country	City	Size in hectares, if material	Major products manufactured
Americas	United States	Riceboro, GA	80	PAM copolymers in different physical forms, such as gels, powders, emulsions, dewatered emulsions and solutions, Mannichs, wet strength resins, superabsorbants, dispersants, acrylamide monomer and derivatives, ADAME and MADAME, ADAME Quat
Americas	United States	Plaquemine, LA	405	PAM powder and emulsion copolymers, acrylamide monomer
Americas	United States	Dolton, IL		PolyDADMAC, Mannichs
Americas	United States	Longview, WA		Liquid transfer
Americas	United States	Los Angeles, CA		Mannichs, anionic solution polyacrylamides, co-polymers, alum blends
Americas	United States	Pearlington, MS (Port Bienville)	15	DADMAC monomer, polyDADMAC, polyamines
Americas	United States	Taylor, PA		Mannichs, co-polymers, wet strength resins, WSB30, WSB40, CLY911
Americas	United States	Wayne, MI	37/47	Mannichs, polyDADMAC, melamine formaldehyde resins, ADAME Quat
Americas	Canada	Edmonton, AB		Powder transfer
Americas	Brazil	Camaçari	75	PAM copolymers in emulsions and solutions, dispersants
Asia	China	Taixing	30	PAM copolymers in different physical forms, such as gels, powders, emulsions and solutions, acrylamide monomer, dicyandiamide resins, ADAME monomer, ADAME Quat, polyamines, DADMAC monomer, polyDADMAC
Asia	China	Rudong	60	PAM powder copolymers, acrylamide monomer, mining reagents: xanthates, dithiocarbamates
Asia	China	Qingdao	5	Mining reagents: xanthates, dithiocarbamates
Asia	South Korea	Ulsan	10	PAM copolymers in different physical forms such as gels, powders, emulsions and solutions, dispersants, acrylamide monomer
Asia	Indonesia	Cikande	8	Liquids, dispersants
Asia	India	Vizakhaptnam	30	Emulsions, liquids, acrylamide monomer
Oceania	Australia	Lara (Geelong)	20	Emulsions, liquids
Europe	France	Andrézieux	90	PAM copolymers in different physical forms, such as beads, gels, powders, spray dried powders, emulsions, dewatered emulsions and solutions, Mannichs, wet strength resins, superplasticisers, polyDADMAC, dispersants, acrylamide monomer and derivatives
Europe	France	Saint-Avold	20	ADAME, ADAME Quat, polyamines, polydadmac, inorganic coagulants
Europe	United Kingdom	Teesside	25	PAM emulsion copolymers
Middle East	Oman	Salalah	5	Powder transfer

In France, we are using only half of the land capacity of our existing site. Likewise, at our manufacturing facilities in the United States and China, we have the ability to expand production.

Our existing PAM production capacity is approximately 1,235,000 metric tons. The PAM production capacity in metric tons (active equivalent) of our different facilities as of December 31, 2020, in terms of PAM powder and PAM emulsion is as follows:

	PAM Powder Capacity	PAM Emulsion Capacity
Andrézieux and Saint-Avold, France	125,000	112,000
Teesside, United Kingdom	—	24,000
Plaquemine, Louisiana	55,000	96,000
Riceboro, Georgia and other USA	125,000	197,000

	PAM Powder Capacity	PAM Emulsion Capacity
Ulsan, South Korea	59,000	27,000
Taixing, China	206,000	60,000
Rudong, China	100,000	—
Vizag, India	—	28,000
Camaçari, Brazil	—	13,000
Other	—	8,000

Plants under Construction or Planning

We have a second new PAM plant in India, that has been commissioned in the first quarter of 2021. This plant is located in Gand-hidham, Gujarat and covers approximately 30 hectares. It will produce acrylamide monomer and PAM powders. The PAM will be primarily dedicated to servicing EOR and export markets for the Asian market. In addition, we are in early phases for two additional plants in Russia and France. We expect these two plants to start operation between 2023 and 2025. Additionally, we constantly assess opportunities and regularly invest in our current plants to increase our production capacity, add product lines, enhance manufacturing productivity and reduce our costs of production. We have a policy of seeking out joint ventures with knowledgeable partners with particular expertise in strategic areas related to our products.

Joint Ventures and Partnerships

We have a policy of seeking out joint ventures with knowledgeable partners with particular expertise in strategic areas related to our products.

Mitsubishi Rayon Co. (formerly Dia-Nitrix)

We have an agreement with Mitsubishi Rayon Co., Ltd., for a 20-year license, expiring in 2023, for the biological process to manufacture acrylamide, known as the “immobilized process.” Through this partnership, we have access to the latest generation of enzymes, allowing us to continuously improve the efficiency of our manufacturing processes. We are currently using the sixth-generation enzyme, which has allowed us to significantly increase capacity without additional capital expenditure.

Competition

We operate in a highly competitive pricing environment, and face significant competition in all of the markets in which we operate. Among other areas, we compete with market competitors on PAM, coagulant and monomer pricing, product line and type, the availability of supply, scheduling and order timing, and quality.

Regulation

We are subject to the requirements of environmental and occupational safety and health laws and regulations in the United States and other countries. These include laws and regulations pertaining to the discharge of materials into the environment, pertaining to the manufacture, transportation, storage, handling and disposal of hazardous substances and hazardous wastes, or otherwise relating to the protection of the environment.

Under some of these laws and regulations, a current or previous owner or operator of a facility may be liable for the removal or remediation of hazardous materials at the facility and nearby areas. Such laws typically impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous materials. In addition, under various laws governing the generation, transportation, treatment, storage or disposal of solid and hazardous wastes, owners and operators of facilities may be liable for removal or remediation, or other corrective action at areas where hazardous materials have been released. The costs of removal, remediation or corrective action may be substantial. The presence of hazardous materials in the environment at any of our facilities, or the failure to abate such materials promptly or properly, may adversely affect our ability to operate such facilities. Certain of these laws also impose liability for investigative, removal and remedial costs on persons who dispose of or arrange for the disposal of hazardous substances at facilities owned or operated by third parties. In certain instances, liability for such costs is retroactive, strict, and joint and several; it may also include obligations to investigate and clean up environmental contamination on or from our current or former properties or at off-site locations to which we sent wastes. Under these laws and regulations, we may have these obligations without regard to fault or the legality of the conduct that contributed to the contamination and liability for the entire cost of a cleanup can be imposed on any responsible party.

The activities and plants at our production facilities are subject to a variety of laws and regulations, including requirements relating to the emission of pollutants into the ground, waters and the atmosphere and the generation, transportation, treatment, storage and disposal of solid and hazardous wastes. We are also subject to laws that regulate the manufacture, processing, and distribution of chemical substances and mixtures, as well as the disposition of certain hazardous substances. Further, non-compliance or alleged non-compliance with environmental and product safety regulations may result in the local government forcing us to modify plant operations, or even result in the seizure or the permanent or temporary discontinuation of the operations of our non-conforming plants.

National and international laws regulate the production, marketing and use of chemicals, and all major developed countries have their own chemical control legislation. The most significant rules and regulations impacting our business are those in force in the European Union (covering all the member states), the United States, Canada, Japan, China, South Korea and Australia. Some facets of the regulations in these regions are continuously being revised, with input from us.

These regulations are subject to expansion or enhancement. Any new or tightened regulations could lead to increases in the direct and indirect costs we incur in manufacturing and delivering products to the end users and resellers we supply. For example, the European Parliament and Council adopted extensive new chemical legislation which went into force in 2007 and which impacts the manufacturers, importers and distributors and users of all chemicals, not just those chemicals which are considered to be hazardous to human health and the environment. The ongoing implementation of this regulation, referred to as "**REACH**" (Registration, Evaluation and Authorisation of Chemicals), means that all chemical companies and user companies are faced with additional costs to conduct their businesses in the European Union and the European Economic Area. Similarly, extensive new chemical regulation programs in China, South Korea and elsewhere are creating additional costs for chemical producers and users in those countries.

In the European Union, within the framework of the former Existing Substances Regulation (793/93/EEC) (replaced by REACH), risk assessments were completed and risk reduction strategies were implemented for most of the major raw materials we use. The conclusions and recommendations of the European Union in this respect have not resulted in any further regulatory burden on us, as they have confirmed the safety of both our manufacturing facilities and the products we place on the market. These risk assessments, along with those carried out by the Organization for Economic Development, or OECD, as part of the High Production Volume Chemicals Program, are datasets that have been and will be used for the evaluation of our major raw materials under the REACH regulations. Acrylamide has been registered under REACH in the highest tonnage band. A full registration dossier was submitted with all studies required under REACH. Acrylamide has been banned for use in grouting applications, a very minor business for us, and any further Authorisation is not anticipated to affect acrylamide's use as a monomer in polymer production. The increase in the costs of compliance and potential regulatory burdens for us in Europe overall should be less significant than for other producers of chemical products because polymers, the greatest share of our production, are exempted from the registration and evaluation requirements of REACH.

In the United States, we contributed to the review of acrylamide by the Environmental Protection Agency (EPA) within the Integrated Risk Information System (IRIS) program by providing industry input. The information contained in IRIS database is used to determine regulatory decisions on allowable emissions to air and water and workplace exposure levels. We submitted an extensive set of new data obtained through our scientific research program, which was used to update IRIS with respect to acrylamide. Based on this new data, the risk level for exposures to acrylamide was increased 10-fold. This less stringent risk factor allows for increased air emissions and so allows the projected expansion of our Riceboro, Georgia site.

We are equally active in all the other regulatory issues that impact our business in the United States. For example, we subscribed to EPA's High Production Volume Challenge Program as a participant in producer consortiums.

A further regulatory initiative which we support and in which we are involved is the United Nations' Globally Harmonized System of Classification and Labeling, or GHS. This system is intended to globally harmonize classification and labeling of chemicals not only in the supply chain but also for their transport by land, water and air. GHS has been introduced in the EU, the U.S., the People's Republic of China and elsewhere and will continue to be adopted by various countries over the next few years, resulting in regulatory coherence and minimization of resources and costs required for compliance.

The introduction of new product lines requires us to seek inventory listings in all the major regions stated above, for example the Toxic Substances Control Act (TSCA) Chemical Inventory in the United States. For certain specially controlled applications, such as the treatment of drinking water and the production of food-contact paper, we have made many successful submissions to agencies such as the U.S. Food and Drug Administration (FDA), the German Federal Institute for Risk Assessment (BfR), and the French Agency for Food, Environmental and Occupational Health & Safety (ANSES).

Legal Proceedings

We are involved in various disputes and litigation arising in the ordinary course of our business. None of these matters is expected to have a material adverse effect on our financial position, results of operations or cash flow.

Insurance

We insure our buildings and plant equipment, for property damage with insurance policies which we believe are generally in accordance with market practice and provide for adequate coverage amounts. We also have insurance covering our operations, including business interruption insurance, liability, worker compensation, marine and product liability insurance, which we believe to be appropriate in amounts and level of coverage in accordance with customary industry practices.

MANAGEMENT

Directors and Executive Officers

The following table presents our directors as of the date of this Offering Memorandum:

Name	Age	Title
Pascal Remy	61	Chairman of the Board of Directors and Chief Executive Officer (*Président Directeur Général*)
René Pich	80	Senior Executive Vice President (*Directeur Général Délégué*)
Cédrick Favero	46	Senior Executive Vice President (*Directeur Général Délégué*)
Caroline Dumond	50	Senior Executive Vice President (*Directeur Général Délégué*)
Peter Nichols	71	President of SPCM North America
John Pittman	54	President of SNF Holding Company
Philippe Lecointre	56	Corporate Social Responsibility, Quality and Chief Compliance Offer
Richard Saint-Sauveur	70	Purchasing Manager
Thierry Lemonnier	67	Director (*Administrateur*)

The following is a brief description of the present and past business experience of each of our directors.

Pascal Remy

Pascal Remy has been Chairman of the Board of Directors and Chief Executive Officer since November 2010. Prior to his appointment as Chairman and CEO, Mr. Remy was our President and a member of our Board of Directors, beginning in December 2005. Mr. Remy has over 30 years of experience in the chemical industry, and was previously Senior Vice President of Nalco (now part of Ecolab) and President of Degrémont. Before joining us, Mr. Remy was operating partner of a Chicago-based private equity fund. Mr. Remy holds graduate degrees from the Massachusetts Institute of Technology, *École Polytechnique* and the *École Nationale des Ponts et Chaussées*.

René Pich

René Pich graduated with a degree in chemistry from the *Institut de Chimie et Physique Industrielle* (*Lyon*). Mr. Pich started his career as a researcher on polymerization in Rhodiaceta and then Streichenberger before being appointed as Polyacrylamide Technical Director of British Petroleum. In 1978, with the management buy-out of the flocculant business from W.R. Grace, Mr. Pich became Chairman of our Board of Directors and Chief Executive Officer. Mr. Pich resigned from this position in November 2010 and became Senior Executive Vice President.

Cédrick Favero

Cédrick Favero graduated from the *Institut Textile et Chimique — ITECH* and *Université Claude Bernard— UCBL* (both in Lyon — 1998). Mr. Favero joined SNF in 1999 as a researcher on monomers and coagulants for water treatment. After the start-up of the Saint-Avold (France) and Pearlington (U.S.) plants, Mr. Favero focused his research topics on new polymers and polymerization technologies for oil and gas, specialty applications and organic chemistries for monomers and mining chemicals. Mr. Favero became R&D manager in 2005, joined the Board of Directors in 2012 and was appointed Senior Executive Vice President in November 2015.

Caroline Dumond

After graduating from the *Ecole Polytechnique Feminine* (EPF) with a degree in engineering, Caroline Dumond held a variety of engineering and production management positions, most recently at Air Liquide/GIE, in both the Mediterranean and Northern France regions. Ms. Dumond is Senior Executive Vice President of SPCM and a member of our Board of Directors. Ms. Dumond is the daughter of our Senior Executive Vice President René Pich.

Peter Nichols

After graduating from the University of Toronto, Peter Nichols joined Allied Colloids in 1975 and worked for 15 years in Canada becoming its Managing Director. Following the advent of the North American Free Trade Agreement, Mr. Nichols relocated to the United States where he was instrumental in creating Allied Colloids Americas and was appointed President and made a member of the Global Executive Committee. Mr. Nichols joined SNF Holding Company in 1999 as President and joined the board of SPCM in 2008.

John Pittman

John Pittman holds a BA in Mechanical Engineering from the Georgia Institute of Technology and a MBA from the Warrington College of Business at the University of Florida. Mr. Pittman has worked in the chemical industry for about 30 years, initially with Vinings/Kemira, where he had various roles in Sales and Sales Management primarily focused on the global Mining, Oil & Gas markets. More recently, Mr. Pittman was the Regional Market Director of Oil & Gas for Solvay USA. Mr. Pittman joined SNF in 2017 and is currently President of SNF Holding Company. Mr. Pittman was appointed as a board member of SPCM in 2019.

Philippe Lecointre

Philippe Lecointre graduated from the Institut de Chimie et Physique Industrielle (Lyon). Mr. Lecointre joined SNF in 1991 and led the implementation effort of our ISO 9001 quality system. Mr. Lecointre was appointed as our Administrative and Quality Manager in 2006 and later as Corporate Social Responsibility and Chief Compliance Offer, became a board member in 2007.

Richard Saint-Sauveur

Richard Saint-Sauveur graduated from ESC Lille and received an MBA degree from HEC. Mr. Saint-Sauveur has 40 years of experience in the chemical industry and has held various technical, commercial and management positions within Roquette, Lafarge, Orkem and Elfatochem. Mr. Saint-Sauveur was Director of the acrylic business unit of Elfatochem before joining SNF in 1999 as Group Purchasing Director. Mr. Saint-Sauveur currently acts as Executive Vice President for our South East Asia operations and President of SNF Korea. Mr. Saint-Sauveur was appointed as a board member of SPCM in 2011.

Thierry Lemonnier

Thierry Lemonnier graduated from the *Ecole Nationale Supérieure de Géologie* (Nancy) and from Stanford University. He joined Total in 1979, where he held various management positions, among which were Chief Financial Officer (CFO) of the Refining and Marketing branch from 1993 to 1999 and CFO of the Chemical branch from 2001 to 2006. He was CFO and member of the Executive Committee of Arkema from 2006 until his retirement at the end of 2018. Mr. Lemonnier was appointed as a board member of SPCM in 2019.

Compensation of Directors and Management

An aggregate of €3.3 million was paid to our senior managers and board members in 2020.

Retirement Plan Information

Non-union employees in the United States hired prior to January 1, 2009 are eligible to participate in the Defined Benefit Pension Plan (the "**DBP**"). The DBP provides for normal retirement benefits in the form of a monthly annuity when the employee reaches age 65, or at a reduced amount starting at age 55 if the employee retires early, subject to the plan's vesting and service requirements. The maximum benefits payable are equal to 40% of the average annual compensation for the five full calendar years prior to the employee's retirement from service. As of December 31, 2020, 614 people were active in the DBP, split as follows: 225 active employees, 220 former employees and 169 retired people. As of June 30, 2021 the DBP was under funded by €20.4 million and a provision of this amount has been accounted for.

Non-Union employees in the United States hired on or after January 1, 2009 are eligible to participate in the Retirement Savings plan (the "**RSP**"). We contribute 2% of eligible wages on a quarterly basis and may make an additional discretionary contribution up to 2% on an annual basis. There is no defined future benefit obligation associated with this RSP and thus, no provision has been recorded as of December 31, 2020.

Additionally, all union and non-union employees may participate in a traditional 401(k) plan. We contribute a matching 50% of employee's deferral up to a maximum of 5% of the employee's annual earnings. There is also a maximum limit on the total yearly employee pre-tax salary deferral into the plan. This limit is $19,500 for the year 2020 plus $6,000 for employees who are 50 years old or over.

For our French employees, we pay a duty to the French government for each employee. We also pay a premium to our employees when they retire, which amount is determined pursuant to the collective bargaining agreement applicable to them. This premium is accounted as a provision for a contingent liability. The amount of the provision is reassessed every year, based on the profile of our employees, and is audited by our statutory auditors.

PRINCIPAL SHAREHOLDERS

Substantially all of our shares (more than 99.99%) are owned by a U.S.-based irrevocable trust. The beneficiaries of the trust are charities. The trust is administered by a trustee and Mr. René Pich, one of our founders and our current Senior Executive Vice President, is the protector.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We are not a party to any material related party transactions with our executive officers, directors or shareholders.

DESCRIPTION OF OTHER INDEBTEDNESS

Senior Notes due 2029 and Senior Notes due 2026

On October 2, 2020, we issued €350.0 million principal amount of our 2.625% senior notes due 2029 (the "**Senior Notes due 2029**") and $350.0 million principal amount of our 2.000% senior notes due 2026 (the "**Senior Notes due 2026**"). As part of the offering of the Senior Notes due 2029 and the Senior Notes due 2026, we entered into an indenture with BNY Mellon Corporate Trustee Services Limited, as trustee, which contains certain restrictions on our ability to incur additional debt, pay dividends, dispose of our assets and other restrictions.

Senior Notes due 2025

On April 20, 2017, we issued $500.0 million principal amount of our 4.875% senior notes due 2025 (the "**Senior Notes due 2025**"). The Senior Notes due 2025 will remain outstanding after this offering. As part of the offering of the Senior Notes due 2025, we entered into an indenture with BNY Mellon Corporate Trustee Services Limited, as trustee, which contains certain restrictions on our ability to incur additional debt, pay dividends, dispose of our assets and other restrictions. We intend to redeem all of our Senior Notes due 2025 with the proceeds of this offering. See "*Use of Proceeds*."

EIB Loan

General

On October 3, 2018, the Issuer, as borrower, entered into a €180.0 million 8-year term loan (the "**EIB Loan**") with the European Investment Bank (EIB), as amended on October 9, 2019. The proceeds from the EIB Loan were primarily used to finance investments in our Dunkirk site, the deployment of new technologies on our Andrézieux production site, as well as for financing research and development for the period 2019-2022.

The following is a summary of certain provisions of the EIB Loan, but it does not purport to be complete.

Interest Rate and Fees

The amounts outstanding under the EIB Loan bear interest at a fixed rate of 1.75%, plus mandatory costs.

Prepayment

Mandatory prepayments of outstanding amounts and cancellations of commitments under the EIB Loan will be required upon the occurrence of:

- a decrease of the cost of the Project (as defined in the EIB Loan) below 50% of the total commitments under the EIB Loan;
- a voluntary prepayment of Other Indebtedness (as defined in the EIB Loan), subject to certain exceptions;
- a Change of Control (as defined in the EIB Loan);
- change of law; and
- illegality affecting the lender.
- Mandatory prepayments will also be required, subject to certain exceptions, reinvestment rights and thresholds, with respect to the net proceeds of certain asset disposals.

Events of Default

The EIB Loan contains certain customary events of default (subject to certain thresholds), including failure to make payments when due thereunder, breach of covenants or representations and warranties, cross-default (including the notes offered hereby), insolvency proceedings or creditors' process, audit qualification, unlawfulness or invalidity of the Finance Documents (as defined in the EIB Loan) and the occurrence of a material adverse effect (as defined under the EIB Loan).

Governing Law

The EIB Loan is governed by French law.

Revolving Credit Facility

General

On July 31, 2015, we entered into an unsecured €350.0 million revolving credit facility (the "**Revolving Credit Facility**"). The Issuer is the borrower under the Revolving Credit Facility. As of June 30, 2021, there is no amount outstanding under the Revolving Credit Facility. Amounts repaid under the Revolving Credit Facility may be re-borrowed.

The following is a summary of certain provisions of the Revolving Credit Facility, but it does not purport to be complete.

The final maturity of the Revolving Credit Facility was originally July 31, 2020, the fifth anniversary of the Revolving Credit Facility. On June 22, 2018, we signed an amendment to the Revolving Credit Facility that extended its maturity to July 31, 2023 with two annual options to extend the maturity by one to two additional years (depending if the first option has been exercised and accepted by the lenders). We have exercised our first and second option to extend maturity. Both options have been accepted by all the lenders (except for KBC which refused the second option) and the maturity of our Revolving Credit Facility has therefore been extended to July 31, 2025 (except for KBC's portion (€16.0 million in commitments) for which it is July 31, 2024).

Interest Rate and Fees

The amounts outstanding under the Revolving Credit Facility bear interest at a rate of LIBOR (or, with respect to any loan in euro, EURIBOR), plus a margin, plus mandatory costs. The initial margin was equal to 100 basis points per annum, subject to adjustment in steps as high as 160 basis points per annum and as low as 75 basis points per annum. The commitment fee for undrawn, uncancelled amounts under the Revolving Credit Facility is 35% of the applicable margin. The utilization fee ranges from 10 basis points to 40 basis points depending on the percentage of the drawn amount on the total commitments amount.

Prepayment

Mandatory prepayments are required to be made in some circumstances under the Revolving Credit Facility. Mandatory prepayment of all outstanding amounts and cancellations of all commitments under the Revolving Credit Facility will be required upon the occurrence of:

- a change of control, as defined in the Revolving Credit Facility; and
- with respect to any lender, illegality affecting that lender.

Mandatory prepayment will also be required, subject to certain exceptions, with respect to the net proceeds of:

- specified asset disposals; and
- insurance claims.

Certain Covenants

The Revolving Credit Facility agreement contains numerous operating and financial covenants relating to, among other things:

- maintenance covenants in respect of our leverage and interest coverage;
- the delivery of financial statements, reports and notices;
- limitations on liens;
- limitations on sales and other disposals of assets;
- limitations on mergers and consolidations;
- limitation on acquisitions and joint ventures;
- limitations on indebtedness;

- limitations on repayment or issuance of notes;
- compliance with laws;
- insurance; and
- negative pledges.

The leverage ratio, which corresponds to consolidated net financial debt divided by consolidated EBITDA, must be less than 4.0x. The interest coverage ratio, which corresponds to consolidated EBITDA divided by consolidated interest expense, must be equal to or more than 4.0x throughout the life of the Revolving Credit Facility. The definitions of financial debt, EBITDA and interest expense for these ratios are set forth in the Revolving Credit Facility agreement.

At June 30, 2021, we were in compliance with all covenants under the Revolving Credit Facility.

Events of Default

The Revolving Credit Facility agreement contains events of default, including failure to make payments when due thereunder, breach of covenants, representations and warranties, default under other agreements relating to indebtedness (including the Notes offered hereby), certain events of liquidation, bankruptcy or similar events and the occurrence of a material adverse effect as defined under the Revolving Credit Facility.

Governing Law

The Revolving Credit Facility is governed by French law.

Other Indebtedness

Our other indebtedness includes borrowings by the Issuer, SNF HC, SNF China, SNF UK and SNF India pursuant to several term loans and other bank financings, working capital facilities at our Japanese subsidiary and several small working capital facilities at our other subsidiaries. Some of these financings are secured by our or our subsidiaries' property, equipment or receivables. For additional information on our other indebtedness, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Senior Notes, Senior Credit Facilities and Other Indebtedness—Other Indebtedness*." As of June 30, 2021, €161.1 million was outstanding under these borrowings.

DESCRIPTION OF NOTES

You can find the definitions of certain terms used in this description under the subheading "*—Certain Definitions*." In this description, "Issuer" refers only to SPCM SA and not to any of its subsidiaries.

The Issuer will issue the notes offered hereby (the "Notes") under an indenture among itself and BNY Mellon Corporate Trustee Services Limited, as trustee (the "Trustee"), in a private transaction that is not subject to the registration requirements of the Securities Act. See "Transfer Restrictions." The following description is a summary of the material provisions of the indenture, including the Notes. It does not restate the indenture in its entirety. We urge you to read the indenture because it, and not this description, defines your rights as holders of the Notes. Certain defined terms used in this description but not defined below under "*—Certain Definitions*" have the meanings assigned to them in the indenture.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

Brief Description of the Notes

The Notes

- will be general unsecured obligations of the Issuer;
- will be *pari passu* in right of payment with all existing and future senior Indebtedness of the Issuer;
- will be effectively subordinated to any existing and future secured Indebtedness of the Issuer to the extent of the value of the assets securing such Indebtedness;
- will be structurally subordinated to any existing and future liabilities of the subsidiaries of the Issuer that are not Guarantors; and
- will be senior in right of payment to any future subordinated Indebtedness of the Issuer.

As of June 30, 2021, on an as adjusted basis giving effect to the issuance of the Notes and the application of the proceeds therefrom, the Issuer would have had €1,653.9 million of Indebtedness outstanding on a standalone basis, €5.6 million of which would have been secured Indebtedness excluding capital leases and €0.3 million of which would have been capital leases. See "*Risk Factors—Your right to receive payments on the Notes will be effectively subordinated to those lenders who have a security interest in our assets and, as a result, in the event of a foreclosure on those assets, we may not be able to satisfy your claims after the claims of our secured lenders have been satisfied*."

The operations of the Issuer are conducted through its Subsidiaries and, therefore, the Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. The Notes will be structurally subordinated in right of payment to all Indebtedness and other commitments, trade payables and other liabilities of the Issuer's Subsidiaries. Any right of the Issuer to receive assets of any of its Subsidiaries upon the Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be structurally subordinated to the claims of that Subsidiary's creditors, except to the extent that the Issuer is itself recognized as a creditor of the Subsidiary, in which case the claims of the Issuer would still be subordinated in right of payment to any security in the assets of the Subsidiary and any Indebtedness of the Subsidiary senior to that held by the Issuer. As of June 30, 2021, after giving effect to the offering of the Notes and the application of the proceeds therefrom, the Issuer's Subsidiaries would have had approximately €16.2 million of Indebtedness outstanding, excluding the impact of IFRS 16 and capitalized financing costs. See "*Risk Factors—Risks Related to the Notes—Claims of the noteholders will be structurally subordinated to claims of creditors of our subsidiaries, and, as a result, in the event of our dissolution or similar event, we may not be able to satisfy your claims after satisfying the claims of the creditors of our subsidiaries*."

As of the date of the indenture, all of our Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption *"—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*," we will be permitted to designate, subject to certain exceptions, Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the indenture.

Principal and Maturity

The Issuer will issue $700 million in aggregate principal amount of Notes in this offering, comprising: (i) the $350 million aggregate principal amount of senior Notes due 2027 (the "2027 Notes") and (ii) the $350 million aggregate principal

amount of senior Notes due 2030 (the "2030 Notes"). The Issuer will issue the Notes in denominations of $200,000 and integral multiples of $1,000 above $200,000. The 2027 Notes will mature on March 15, 2027 and the 2030 Notes will mature on March 15, 2030.

Interest

Interest on the 2027 Notes

Interest on the 2027 Notes will accrue at the rate of 3.125% per annum and will be payable semi-annually in arrears on March 15 and September 15, commencing on March 15, 2022. Interest on overdue principal and interest and Additional Amounts, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the 2027 Notes. The Issuer will make each interest payment to the holders of record on the immediately preceding March 1 and September 1.

Interest on the 2027 Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of holders of beneficial interests in the Notes to receive payments on such Notes are subject to applicable procedures of DTC. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest on the 2030 Notes

Interest on the 2030 Notes will accrue at the rate of 3.375% per annum and will be payable semi-annually in arrears on March 15 and September 15, commencing on March 15, 2022. Interest on overdue principal and interest and Additional Amounts, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the 2030 Notes. The Issuer will make each interest payment to the holders of record on the immediately preceding March 1 and September 1.

Interest on the 2030 Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Additional Notes

The Issuer may issue additional Notes under the indenture from time to time after this offering (the "Additional Notes"). Any issuance of Additional Notes is subject to all of the covenants in the indenture, including the covenant described below under the caption *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock.*"

Each of the 2027 Notes and 2030 Notes will constitute a separate series of Notes but will be treated as a single class of securities for all purposes of the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Additional Notes will be treated, along with all other series of Notes, as a single class for all purposes of the indenture, including, without limitation, waivers, amendments and all other matters which are not specifically distinguished for such series; *provided*, *however*, that any Additional Notes that are not fungible for U.S. federal income tax purposes with the original Notes of the same series will be issued under a unique ISIN and/or other identifying number. Unless the context otherwise requires, for all purposes of the indenture and this "Description of Notes" references to "Notes" shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes.

Additional Notes may also be designated as Additional 2027 Notes or Additional 2030 Notes, but only if having terms substantially identical in all material respects to the original 2027 Notes or the original 2030 Notes, respectively. The original 2027 Notes and any Additional 2027 Notes shall be deemed to form one series and references to the 2027 Notes shall be deemed to refer to the 2027 Notes initially issued on the Issue Date as well as any Additional 2027 Notes. The original 2030 Notes and any Additional 2030 Notes shall be deemed to form one series and references to the 2030 Notes shall be deemed to refer to the 2030 Notes initially issued on the Issue Date as well as any Additional 2030 Notes.

Methods of Receiving Payments on the Notes

Principal, interest, premium, if any, and Additional Amounts (as defined below), if any, on the Global Notes (as defined below) will be payable by wire transfer of immediately available funds to the accounts specified by DTC or its nominee.

Principal, interest, premium, if any, and Additional Amounts, if any on the Certificated Notes (as defined in "*Book-Entry, Delivery and Form*") will be payable at the specified office or agency of the Paying Agent. In addition, interest on the Certificated Notes may be paid by check mailed to the person entitled thereto as shown on the register of for the Certificated Notes.

Paying Agent and Registrar for the Notes

The Issuer will maintain a paying agent (the "**Paying Agent**") for the notes. The initial Paying Agent will be The Bank of New York Mellon, London Branch.

The Issuer will also maintain a registrar (the "**Registrar**") and a transfer agent. The initial Registrar will be The Bank of New York Mellon SA/NV, Dublin Branch. The initial Transfer Agent will be The Bank of New York Mellon SA/NV, Dublin Branch. The Registrar will maintain a register reflecting ownership of Certificated Notes, if any, outstanding from time to time.

Upon notice to the Trustee, the Issuer may change or add any Paying Agent, Registrar or Transfer Agent without prior notice to the holders of the Notes; *provided*, *however*, that in no event may the Issuer appoint a Paying Agent in any European Union Member State where the Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Paying Agent would be so obliged if it were located in all other European Union Member States. For so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg in accordance with the provisions set forth under "*—Notices*."

Transfer and Exchange

The Notes will initially be represented by one or more global Notes in registered form without interest coupons attached (the "Global Notes"). A holder may transfer or exchange notes in accordance with the provisions of the Indenture. The Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. Holders will be required to pay all taxes due on transfer. The Issuer will not be required to transfer or exchange any note selected for redemption. Also, the Issuer will not be required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed.

Optional Redemption

Optional Redemption of the 2027 Notes

At any time prior to March 15, 2024, the Issuer may redeem up to 40% of the aggregate principal amount of the 2027 Notes issued under the indenture at a redemption price of 103.125% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings; provided that:

(1) at least 50% of the aggregate principal amount of the 2027 Notes originally issued under the indenture (excluding the 2027 Notes held by the Issuer and its Affiliates) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such sale of such Public Equity Offering.

At any time prior to March 15, 2024, the Issuer may also redeem all or a part of the 2027 Notes, upon not less than 10 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of 2027 Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the 2027 Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the two preceding paragraphs and as set out below under "—Redemption for Changes in Withholding Taxes," the 2027 Notes will not be redeemable at the Issuer's option prior to March 15, 2024.

On or after March 15, 2024, the Issuer may redeem all or a part of the 2027 Notes in amount of $200,000 or in integral multiples of $1,000 in excess thereof, upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Additional Amounts, if any, on the 2027 Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning

on March 15 of the years indicated below, subject to the rights of holders of the 2027 Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
2024	101.563%
2025	100.781%
2026 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Optional Redemption of the 2030 Notes

At any time prior to March 15, 2025, the Issuer may redeem up to 40% of the aggregate principal amount of the 2030 Notes issued under the indenture at a redemption price of 103.375% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings; *provided* that:

(1) at least 50% of the aggregate principal amount of the 2030 Notes originally issued under the indenture (excluding the 2030 Notes held by the Issuer and its Affiliates) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such sale of such Public Equity Offering.

At any time prior to March 15, 2025, the Issuer may also redeem all or a part of the 2030 Notes, upon not less than 10 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of 2030 Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the 2030 Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the two preceding paragraphs and as set out below under "*—Redemption for Changes in Withholding Taxes*," the 2030 Notes will not be redeemable at the Issuer's option prior to March 15, 2025.

On or after March 15, 2025, the Issuer may redeem all or a part of the 2030 Notes in amount of $200,000 or in integral multiples of $1,000 in excess thereof, upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Additional Amounts, if any, on the 2030 Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on March 15 of the years indicated below, subject to the rights of holders of the 2030 Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
2025	101.688%
2026	100.844%
2027 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption on a pro rata basis (or, in the case of Notes issued in global form as discussed under "*—Book-Entry, Delivery and Form*," based on a method that most nearly approximates a pro rata selection) unless otherwise required by law, the applicable stock exchange or depositary requirements.

No Notes of $200,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered

address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the indenture. Any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, including any related Public Equity Offering or a Change of Control. In addition, if such redemption is subject to the satisfaction of one or more conditions precedent, the related notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was mailed), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Subject to the provisions of the preceding paragraph, the Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption (unless the Issuer defaults in the payment of the redemption price and accrued interest, if any).

Redemption for Changes in Withholding Taxes

The Issuer may redeem the Notes of a series, in whole but not in part, at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders (which notice must be given in accordance with the procedures described in *"—Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes of such series, the Issuer is or would be required to pay Additional Amounts with respect to the Notes of such series, and the Issuer cannot avoid any such payment obligation taking reasonable measures available to it, as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction (as defined below) affecting taxation which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the date of the indenture (or, if a relevant Tax Jurisdiction has been added since the date of the indenture, the date on which such Tax Jurisdiction became a relevant Tax Jurisdiction under the indenture); or

(2) any change in, or amendment to, the existing official written position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change or amendment has not been publicly announced as formally proposed before and becomes effective on or after the date of the indenture (or, if a relevant Tax Jurisdiction has been added since the date of the indenture, the date on which such Tax Jurisdiction became a relevant Tax Jurisdiction under the indenture).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer would be obligated to make such payment of Additional Amounts if a payment in respect of the Notes of a series were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes of a series pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of counsel in the relevant Tax Jurisdiction, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuer to redeem the Notes of such series hereunder and the Issuer cannot avoid any obligation to pay Additional Amounts by taking reasonable measures available to it (including, for the avoidance of doubt, the appointment of a new paying agent where this would be reasonable); provided that changing the jurisdiction of the Issuer is not a reasonable measure for the purposes of this section.

Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Notes (whether or not in the form of Certificated Notes) will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment, withholding or other governmental charge, including penalties, interest and other liabilities related thereto (collectively, "*Taxes*") unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Issuer (including any successor entity), is then incorporated, organized, engaged in business (directly or indirectly) or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction by or through which payment is made (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "*Tax Jurisdiction*"), will at any time be required to be made from or Taxes imposed directly on any holder or beneficial owner of the Notes on any payments made by or on behalf of the Issuer under or with respect to the Notes including payments of principal, redemption price, purchase price, interest or premium, the Issuer will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received and retained in respect of such payments (including Additional Amounts) after such withholding, deduction or imposition will equal the respective amounts which would have been received and retained in respect of such payments in the absence of such withholding, deduction or imposition; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the holder or the beneficial owner (or a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership, a limited liability company or a corporation) of the Notes being a citizen or resident or national of, incorporated or carrying on a business in, the relevant Tax Jurisdiction in which such Taxes are imposed other than Taxes imposed due to the holding of such Note or enforcement of rights thereunder or the receipt of payments in respect thereof or any other connection with respect to the Notes;

(2) any Taxes, to the extent such Taxes are imposed or withheld as a result of the failure of the holder of the Notes or beneficial owner of the Notes to comply with any written request, made to that holder or beneficial owner in writing at least 90 days before any such withholding or deduction would be payable, by the Issuer to provide timely and accurate information concerning the nationality, residence or identity of such holder or beneficial owner or to make any valid and timely declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from all or part of such Taxes, but in each case, only to the extent the holder or beneficial owner is legally able to do so;

(3) any Taxes imposed as a result of the presentation of a Note for payment (where Notes are in the form of Certificated Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(4) any estate, inheritance, gift, sales, transfer, personal property or similar tax;

(5) any Taxes imposed as a result of the presentation of a Note for payment by or on behalf of a holder of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in any European Union Member State; or

(6) any combination of items (1) through (5) above.

Notwithstanding anything to the contrary in the preceding paragraph, neither the Issuer nor any paying agent nor any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (the "*Code*"), as of the date hereof (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (including non-U.S. laws implementing such intergovernmental agreements).

Furthermore, no Additional Amounts shall be paid with respect to any payment on a Note to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent that a beneficiary or settlor with

respect to such fiduciary or a member of such partnership or beneficial owner would not have been entitled to receive the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder.

In addition to the foregoing, the Issuer will also pay and indemnify the holder for any present or future stamp, issue, registration, transfer, court or documentary Taxes, or any other excise or property Taxes or similar levies or Taxes which are levied by any jurisdiction on the issuance, execution, delivery, registration or enforcement of any of the Notes, the indenture, or any other document or instrument referred to therein, or the receipt of any payments with respect thereto.

If the Issuer becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, the Issuer will deliver to the Trustee on a date which is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer shall notify the Trustee promptly thereafter) an officers' certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The officers' certificate must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts to holders on the relevant payment date. The Issuer will provide the Trustee with documentation evidencing the payment of Additional Amounts.

The Issuer will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer will furnish to the holders, within 60 days after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or if, notwithstanding the Issuer's efforts to obtain receipts, receipts are not obtained, other evidence of payments by the Issuer. The Issuer shall attach to each certified copy or other evidence, as applicable, a certificate stating (x) that the amount of Tax evidenced by the certified copy was paid in connection with payments under or with respect to the Notes then outstanding upon which such Taxes were due and (y) the amount of such withholding tax paid per $1,000 of principal amount of the Notes.

Whenever in the indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer is incorporated, organized, engaged in business or resident for tax purposes or any jurisdiction from or through which any payment on the Notes is made and any political subdivision thereof or therein.

Mandatory Redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, the Issuer shall offer to repurchase any and all of the holder's Notes pursuant to a Change of Control Offer on the terms set forth in the indenture. In the Change of Control Offer, the Issuer will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control (including, but not limited to, information with respect to the Issuer's *pro forma* net income, cash flow and capitalization after giving effect to the Change of Control) and offering to repurchase Notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the indenture and described in such notice. If the Change of Control has been publicly announced but has not occurred at the time the notice of the Change of Control Offer is mailed to holders, the Change of Control Offer may be conditional on the consummation of such Change of Control occurring prior to or concurrent with the repurchase. The Issuer will comply with the requirements of any relevant securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, the Issuer will comply with the applicable securities laws and

regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an officers' certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that such new Notes will be in minimum denominations of $200,000 principal amount and integral multiples of $1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the indenture as described above under the caption "—*Optional Redemption*," unless and until there is a default in payment of the applicable redemption price.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made. The closing date of any such Change of Control Offer made in advance of a Change of Control may be changed to conform to the actual closing date of the Change of Control, provided that such closing date is not earlier than 30 days nor later than 60 days from the date the Change of Control Offer notice is mailed as described in the first paragraph of this section.

In the event that holders of not less than 90% of the aggregate principal amount of the outstanding Notes accept a Change of Control Offer and the Issuer (or the third party making the Change of Control Offer in lieu of the Issuer) purchases all of the Notes held by such holders, the Issuer will have the right, upon not less than 30 nor more than 60 days' prior written notice to the holders and the Trustee, given not more than 30 days following the purchase pursuant to the Change of Control Offer described above, to redeem all of the Notes that remain outstanding following such purchase at a redemption price equal to the Change of Control Offer payment price plus accrued and unpaid interest on the Notes redeemed to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain.

If and for so long as the Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF, and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*)

or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange.

The provisions of the indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in aggregate principal amount of the then outstanding Notes.

Restrictions under certain of the agreements governing our existing Indebtedness may prohibit the prepayment of the Notes upon a Change of Control, including, for example, the Credit Agreements. Consequently, if we are unable to prepay the Credit Agreements and any such Indebtedness containing similar restrictions or obtain requisite consents of the lenders of the Credit Agreements, or such other Indebtedness, the Issuer may not be able to fulfill its repurchase obligations to holders of the Notes that exercise their repurchase rights following a Change of Control, thereby resulting in a default under the indenture. A default under the indenture may result in a cross-default under the Credit Agreements or such other Indebtedness.

Asset Sales

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets, rights or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

  (a) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Issuer or such Restricted Subsidiary from further liability;

  (b) any securities, Notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are within 90 days, subject to ordinary settlement periods, converted by the Issuer or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

  (c) any share or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant; and

  (d) any Designated Non-Cash Consideration.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds:

(1) to repay Indebtedness and other Obligations under a Credit Facility, any secured Indebtedness of the Issuer or Indebtedness of any Restricted Subsidiary and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto (except, as regards the reduction in commitments for revolving credit Indebtedness, to the extent that, after giving *pro forma* effect to such Asset Sale, the Issuer or its Restricted Subsidiary could incur such revolving credit Indebtedness pursuant to subclause (y) of clause (1) of the definition of Permitted Debt);

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business,

(3) if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of the Issuer;

(4) to make a capital expenditure; or

(5) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business.

Notwithstanding the foregoing, if within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer or any Restricted Subsidiary, as the case may be, enters into a binding written agreement irrevocably committing the Issuer or such Restricted Subsidiary to an application of funds of the kind described in clause (2), or (5) above, the Issuer or such Restricted Subsidiary shall be deemed not to be in violation of the preceding paragraph so long as such application of funds is consummated within 545 days of the receipt of such Net Proceeds.

Pending the final application of any Net Proceeds, the Issuer or any of its Restricted Subsidiaries may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the indenture.

If the Net Proceeds exceed the aggregate amount within the applicable time period, such excess amount not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds €100.0 million (or its equivalent in another currency), within 30 days thereof, the Issuer will make an offer (an "*Asset Sale Offer*") to all holders of the Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of the Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer in respect of the Notes will be equal to and, in the case of *pari passu* Indebtedness the offer price will be no more than 100% of the principal amount of the Notes or *pari passu* Indebtedness plus accrued and unpaid interest, and in the case of the Notes, Additional Amounts, if any, to the date of purchase in accordance with the procedures set out in the indenture or the agreements governing the *pari passu* Indebtedness, as applicable, and in the case of the Notes, in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of the Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Asset Sale Offer, insofar as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Sale Offer Period*"). No later than five (5) Business Days after the termination of the Asset Sale Offer period (the "*Asset Sale Purchase Date*") the Issuer will purchase the principal amount of the Notes and to the extent the Issuer elects, *pari passu* Indebtedness required to be purchased by it pursuant to this covenant, or if less than the Asset Sale Offer Amount has been so validly tendered, all the Notes and *pari passu* Indebtedness validly tendered in response to the Asset Sale Offer.

The Issuer will comply with the requirements of any relevant securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the indenture by virtue of such compliance.

Certain Covenants

Changes in Covenants When Notes Rated Investment Grade

If on any date following the date of the indenture:

(1) the Notes are rated Baa3 or better by Moody's and BBB- or better by S&P (or, if either such entity ceases to rate the Notes for reasons outside of the control of the Issuer, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" registered under Section 15E of the Exchange Act selected by the Issuer as a replacement agency); and

(2) no Default or Event of Default shall have occurred and be continuing,

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this Offering Memorandum will be terminated:

(a) *"—Repurchase at the Option of Holders—Asset Sales;"*

(b) *"—Restricted Payments;"*

(c) *"—Incurrence of Indebtedness and Issuance of Preferred Stock;"*

(d) *"—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;"*

(e) *"—Designation of Restricted and Unrestricted Subsidiaries;"*

(f) *"—Transactions with Affiliates;"*

(g) *"—Business Activities;"*

(h) clause (4) of the covenant described under the caption "*—Merger, Consolidation or Sale of Assets*"; and

(i) clauses (1)(a) and (3) of the covenant described under the caption "*—Limitation on Sale and Leaseback Transactions*."

There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer's or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and other than dividends or distributions payable to the Issuer or a Restricted Subsidiary of the Issuer);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect parent of the Issuer (other than in exchange for Equity Interests of the Issuer (other than Disqualified Stock));

(3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, prior to the scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations of the Issuer (excluding (i) any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries and (ii) the purchase, redemption, acquisition or retirement of Subordinated Obligations acquired in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case within one year of the date of the obligation); or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"),

unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*;" and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since January 1, 2012 (excluding Restricted Payments permitted by

clauses (2), (3), (4), (5), (6), (7), (8) and (9) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the fiscal quarter commencing January 1, 2012 to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); plus

(ii) 100% of the aggregate net cash proceeds received by the Issuer since January 1, 2012 as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Issuer that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Issuer); *plus*

(iii) to the extent that any Restricted Investment that was made after January 1, 2012 is sold for cash or otherwise liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus* to the extent that any Unrestricted Subsidiary of the Issuer designated as such after January 1, 2012 is redesignated as a Restricted Subsidiary after January 1, 2012, the lesser of (i) the Fair Market Value of the Issuer's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary.

As of June 30, 2021, the amount available for Restricted Payments pursuant to this clause (c) would have been approximately €652.1 million.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the indenture;

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer that is contractually subordinated to the Notes with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(4) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Issuer to the holders of its Equity Interests on a pro rata basis;

(5) so long as no Default has occurred and is continuing or would be caused thereby, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary of the Issuer, or distribution to enable such repurchase, redemption or other acquisition or retirement for value of any Equity Interests of any parent of the Issuer, held by any current or former officer, director or employee of the Issuer or any of its Restricted Subsidiaries; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €5.0 million in any twelve-month period; *provided further* that the Issuer may carry over and make in subsequent twelve-month periods, in addition to the amounts permitted for such twelve-month period, the unutilized capacity under this clause (5) attributable to the immediately preceding twelve-month period;

(6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(7) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any Restricted Subsidiary of the Issuer issued on or after the date of the indenture in accordance with the Fixed Charge Coverage Ratio test described below under the caption *"— Incurrence of Indebtedness and Issuance of Preferred Stock*";

(8) so long as no Default has occurred and is continuing or would be caused thereby, Restricted Payments in an aggregate amount not to exceed €125.0 million from the date of the indenture; and

(9) other Restricted Payments so long as the Total Leverage Ratio, calculated as of the date of such Restricted Payment and after giving pro forma effect thereto (including, without limitation, to the incurrence of any Indebtedness to finance such Restricted Payment), does not exceed 1.50 to 1.0.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of the Issuer whose resolution with respect thereto will be delivered to the Trustee. The Board of Directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of international standing if the Fair Market Value exceeds €50.0 million.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and the Issuer will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock if the Fixed Charge Coverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.00 to 1.00, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(1) the incurrence by the Issuer and its Restricted Subsidiaries of additional Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Issuer and its Restricted Subsidiaries thereunder) not to exceed the greater of (x) $825.0 million and (y) any amount of such Indebtedness if, immediately after giving effect to such incurrence of Indebtedness, the ratio of Priority Debt to Consolidated Cash Flow for the most recently ended period of four consecutive fiscal quarters for which internal financial statements are available immediately preceding the date of determination, with such adjustments to the amount of Priority Debt and Consolidated Cash Flow as are consistent with the adjustment provisions set forth in the definition of "Fixed Charge Coverage Ratio," would not have been greater than 2.50 to 1.0;

(2) the incurrence by the Issuer and its Restricted Subsidiaries of the Existing Indebtedness;

(3) the incurrence by the Issuer of Indebtedness represented by the Notes to be issued on the date of the indenture;

(4) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of acquisition, design, construction, installation, transportation or improvement of property, plant or equipment used in the business of the Issuer or any of its Restricted Subsidiaries, when taken together with Permitted Refinancing Indebtedness incurred under clause (5) of this paragraph to refinance any Indebtedness incurred pursuant to this clause

(4), in an aggregate principal amount not to exceed at any one time outstanding the greater of (a) €200.0 million and (b) 4.0% of the Issuer's Total Assets;

(5) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (4) or (5) of this paragraph;

(6) the incurrence by the Issuer or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries; *provided*, *however*, that:

(a) if the Issuer is the obligor on such Indebtedness and the payee is not the Issuer, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary of the Issuer, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any of the Issuer's Restricted Subsidiaries to the Issuer or to any of its Restricted Subsidiaries of shares of preferred stock; *provided*, *however*, that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary of the Issuer, will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Issuer or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(9) the guarantee by the Issuer or a Restricted Subsidiary of Indebtedness of the Issuer or any of its Restricted Subsidiaries so long as the incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary is permitted under the terms of the indenture, provided that such guarantee is incurred in accordance with the covenant described under "*—Limitation on Issuances of Guarantees of Indebtedness*;

(10) guarantees of Indebtedness arising pursuant to terms requiring such Indebtedness to be guaranteed if the Notes are guaranteed;

(11) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and bid, completion, surety or appeal bonds in the ordinary course of business;

(12) Indebtedness constituting reimbursement obligations with respect to letters of credit, bankers' acceptances or similar instruments or obligations issued in the ordinary course of business, provided that upon the drawing or other funding of such letters of credit or other instruments or obligations, such drawings or fundings are reimbursed within five days;

(13) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five (5) business days;

(14) Indebtedness of a Restricted Subsidiary incurred and outstanding on or prior to the date on which such Restricted Subsidiary was acquired by, or merged or consolidated with or into, the Issuer or a Restricted Subsidiary (other than Indebtedness incurred in contemplation of, or in connection with, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary of or was otherwise acquired by the Issuer or such Restricted Subsidiary); *provided*, *however*, that on the

date that such Subsidiary is acquired by, or merged or consolidated with or into, the Issuer or any of its Restricted Subsidiaries and after giving effect to the incurrence of such Indebtedness pursuant to this clause (14), either (a) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (b) the Fixed Charge Coverage Ratio for the Issuer would be greater than such Fixed Charge Coverage Ratio immediately prior to such acquisition, merger or consolidation; and

(15) the incurrence by the Issuer or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding incurred pursuant to this clause (15), not to exceed €125.0 million.

The Issuer will not incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms; *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (2) through (15) above (excluding clause (4)), or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness in any manner that complies with this covenant; any Permitted Debt that may be incurred pursuant to clause (1) or clause (4) will be deemed to be incurred pursuant to clause (1) or clause (4), respectively, and may not be reclassified. Indebtedness under the Credit Agreements outstanding on the date of the indenture will be deemed to have been incurred under clause (1) of Permitted Debt. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of the Issuer as accrued. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

For purposes of determining compliance with any euro denominated restriction on the incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; *provided* that (1) if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than euros, and such refinancing would cause the applicable euro denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (2) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the date of the indenture will be calculated based on the relevant currency exchange rate in effect on the date of the indenture; and (3) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated other than in euros, will be the amount of the principal payment required to be made under such currency agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement. The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(a) the Fair Market Value of such assets at the date of determination; and

(b) the amount of the Indebtedness of the other Person.

Limitation on Issuances of Guarantees of Indebtedness

The Issuer will not permit any of its Restricted Subsidiaries that is a not a Guarantor, directly or indirectly, to Guarantee or pledge any assets to secure the payment of any other Indebtedness of the Issuer or Capital Markets Debt of a Restricted Subsidiary unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Guarantee of the payment of the Notes by such Restricted Subsidiary, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided* that this covenant shall not be applicable to any Guarantee of, or pledge of any asset to secure the payment by, any Restricted Subsidiary of Indebtedness under Credit Facilities that was incurred pursuant to either clause (1) or (15) of the definition of Permitted Debt, unless such Indebtedness is Capital Markets Debt issued by a Restricted Subsidiary that is not a finance subsidiary. The term "finance subsidiary" shall mean a Restricted Subsidiary of the Issuer with no operations or operating assets that issues Capital Markets Debt and lends the proceeds of such issuance of Capital Markets Debt to the Issuer or another Restricted Subsidiary.

The Note Guarantee of a Guarantor will automatically and unconditionally be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary of the Issuer, if the sale or other disposition does not violate the "Asset Sale" provisions of the indenture;

(2) in connection with any sale or other disposition of all of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary of the Issuer, if the sale or other disposition does not violate the "Asset Sale" provisions of the indenture;

(3) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the indenture; or

(4) upon legal defeasance or satisfaction and discharge of the indenture as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*."

The form of the Note Guarantee will be attached as an exhibit to the indenture.

Limitation on Liens

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or assume any Lien (except Permitted Liens) of any kind on any asset now owned or hereafter acquired securing Indebtedness of the Issuer or any guarantee of Capital Markets Debt of the Issuer or a finance subsidiary of the Issuer, unless all payments under the Notes and guarantees of the Notes are secured on an equal and ratable basis with (or prior to) the obligations so secured until such obligations are no longer secured by a Lien.

Limitation on Sale and Leaseback Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; *provided* that the Issuer or any Restricted Subsidiary may enter into a sale and leaseback transaction if:

(1) the Issuer or that Restricted Subsidiary, as applicable, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "*—Liens*;"

(2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of the Issuer and set forth in an officers' certificate delivered to the Trustee, of the property that is the subject of that sale and leaseback transaction; and

(3) the transfer of assets in that sale and leaseback transaction is permitted by, and the Issuer applies the proceeds of such transaction in compliance with, the covenant described above under the caption "*—Repurchase at the Option of Holders—Asset Sales*."

Dividend and Other Payment Restrictions Affecting Subsidiaries

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Issuer or any of its Restricted Subsidiaries;

(2) make loans or advances to the Issuer or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and the Credit Facilities as in effect on the date of the indenture and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the date of the indenture;

(2) the indenture and the Notes;

(3) applicable law, rule, regulation, order, governmental license, permit or concession;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;

(5) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) Liens permitted to be incurred under the provisions of the covenant described above under the caption "—*Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements, minority shares arrangements and other similar agreements entered into with the approval of the Issuer's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(11) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(12) any agreement or instrument relating to Indebtedness permitted to be incurred after the date of the indenture under the covenant entitled "—*Incurrence of Indebtedness and Issuance of Preferred Stock*" and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided*, *however*, that such encumbrance or restriction is not materially

more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer's Board of Directors) and either (x) the Issuer's Board of Directors determines that such encumbrance or restriction will not materially affect the Issuer's ability to make principal or interest payments on the Notes as and when they come due or (y) such encumbrance or restriction applies only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness;

Merger, Consolidation or Sale of Assets

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized or existing under the laws of any European Union Member State, Switzerland, Norway, Canada or the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Notes, the indenture;

(3) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(4) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four quarter period, (a) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (b) have had a Fixed Charge Coverage Ratio greater than the actual Fixed Charge Coverage Ratio for the Issuer for such four- quarter period.

This "Merger, Consolidation or Sale of Assets" covenant will not apply to:

(1) a merger of the Issuer with an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction; or

(2) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Issuer and its Restricted Subsidiaries.

Transactions with Affiliates

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend, in any material respect, any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each, an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and

(2) the Issuer delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €25.0 million, a resolution of the Board of Directors of the Issuer set forth in an officers' certificate certifying that such Affiliate Transaction complies with this covenant.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among the Issuer and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable directors' fees;

(5) any transaction between or among the Issuer and/or its Restricted Subsidiaries and any joint venture (a) pursuant to the terms of the respective joint venture agreement, (b) in the ordinary course of business or (c) which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer or the Restricted Subsidiary, as applicable, or are on terms no less favorable (taking into account the costs and benefits of associated with such transactions) than those that could reasonably have been obtained at such time from an unaffiliated Person;

(6) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer;

(7) loans or advances to directors, officers or employees made in the ordinary course of business of the Issuer or any Restricted Subsidiary of the Issuer in an aggregate principal amount not to exceed €5.0 million at any one time outstanding;

(8) payments to an Affiliate in respect of the Notes or any other Indebtedness of the Issuer or any Restricted Subsidiary on the same basis as concurrent payments made or offered to be made in respect thereof to non-Affiliates;

(9) Restricted Payments that do not violate the provisions of the indenture described above under the caption "*—Restricted Payments*;" and

(10) any Affiliate Transaction or series of related Affiliate Transactions for which an opinion as to the fairness to the Issuer or such Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing has been obtained.

Business Activities

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default; *provided* that in no event will the manufacturing facilities in (a) Riceboro, Georgia, the United States of America, (b) Andrézieux, France and (c) Taxing, China that are operated on the date of the indenture by SNF Floerger SAS and SNF Holding Company or any of their respective subsidiaries be transferred, directly or indirectly through designation of an Unrestricted Subsidiary or otherwise, to or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "*—Restricted Payments*" or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an officers' certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "*—Restricted Payments*." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*," the Issuer will be in default of such covenant. The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Issuer; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Issuer of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*," calculated on a *pro forma* basis as if such designation had occurred at the beginning of the four quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

Listing of the Notes

The Issuer will use its reasonable best efforts to list and maintain the listing of the Notes on the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market of the Luxembourg Stock Exchange; *provided*, *however*, that if the Issuer is unable to list the Notes on the Luxembourg Stock Exchange or if maintenance of such listing becomes unduly onerous, it will maintain a listing of such Notes on another "recognised stock exchange" as defined in § 841 of the Income and Corporation Taxes Act 1988 of the United Kingdom.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee and make available to the holders of Notes and potential investors:

(1) within 120 days after each fiscal year of the Issuer, commencing with the fiscal year ending December 31, 2021: (a) information substantially similar in scope to the information included in this Offering Memorandum, including the information under the captions entitled "*Selected Historical Consolidated Financial Information*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Business*," "*Management*," "*Certain Relationships and Related Transactions*," "*Principal Shareholders*" and "*Description of Other Indebtedness*," as well as a description of material recent developments (but excluding "Industry"); (b) to the extent such statements may be produced based on information reasonably available, pro forma income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; and (c) audited consolidated statements of income and statements of cash flow of the Issuer (or any predecessor company of the Issuer) as of and for the most recent three fiscal years and balance sheets as of the two most recent fiscal years, including appropriate footnotes to such financial statements, for and as of the end of such fiscal year, and the report of the independent auditors on such financial statements;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer, commencing with the quarter ending September 30, 2021, information including: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) to the extent such statements may be produced based on information reasonably available, pro forma income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of material commitments and contingencies; (d) material recent developments; and (e) a presentation of EBITDA; and

(3) promptly after the occurrence of a material acquisition, disposition, restructuring, senior management changes, change in auditors, the entering into of an agreement that will result in a Change of Control or any other material event, in each case, a report containing a description of such event. If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial

information required by the preceding paragraphs will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

The Issuer will also make available copies of all reports required by clauses (1) through (3) above on (i) the Issuer's website (and maintain for a period of at least three years after posting), (ii) to the newswire or other service of Bloomberg L.P. or, if Bloomberg L.P. does not then operate any such service, any similar agency and (iii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, at the offices of the Luxembourg Listing Agent in Luxembourg.

In addition, for so long as any Notes remain outstanding and during any period which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer will agree that it will furnish to the holders of Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Furthermore, within 20 Business Days subsequent to the date of the publication of the reports described in (1) and (2) above, the Issuer shall hold a conference call for current and prospective holders of the Notes in which at least one member of the senior management of the Issuer shall participate. Notice of such conference calls shall be deemed a report required by clause (3) above and will state the date, time and dial-in number and shall be published at least one Business Day in advance of such conference call.

All reports made pursuant to this covenant shall be made in, or translated to, the English language.

Events of Default and Remedies

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest on, or Additional Amounts, if any, with respect to, the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Issuer or any of its Restricted Subsidiaries to comply with the provisions described under the captions "*—Repurchase at the Option of Holders—Change of Control*," "*— Repurchase at the Option of Holders—Asset Sales*," or "*—Certain Covenants—Merger, Consolidation or Sale of Assets*;"

(4) failure by the Issuer or any of its Restricted Subsidiaries for 60 days after notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in the indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of the indenture, if that default:

(a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(b) results in the acceleration of such Indebtedness prior to its Stated Maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates to €100.0 million or more;

(6) failure by the Issuer or any of its Restricted Subsidiaries to pay final judgments (excluding therefrom any amount reasonably expected to be covered by insurance) entered by a court or courts of competent

jurisdiction aggregating in excess of €100.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; and

(7) certain events of bankruptcy or insolvency described in the indenture with respect to the Issuer or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Issuer, any Restricted Subsidiary of the Issuer that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Issuer that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium or Additional Amounts, if any.

Subject to the provisions of the indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts, if any, when due, no holder of a Note may pursue any remedy with respect to the indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the indenture except a continuing Default or Event of Default in the payment of interest or premium or Additional Amounts, if any, on, or the principal of, the Notes.

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the indenture. Within 10 business days after becoming aware of any Default or Event of Default, the Issuer is required to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, as such, will have any liability for any obligations of the Issuer under the Notes, the indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an officers' certificate, elect to have all of its obligations discharged with respect to the outstanding Notes ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium and Additional Amounts, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties, indemnifications, fees and immunities of the Trustee, and the Issuer's obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "*—Events of Default and Remedies*" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in euro and euro denominated, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium and Additional Amounts, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion of U.S. tax counsel reasonably acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of tax counsel will confirm that, the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred and (c) an opinion of counsel in the jurisdiction of incorporation of the Issuer to the effect that the holders will not recognize income, gain or loss for the income tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee (a) an opinion of U.S. tax counsel reasonably acceptable to the Trustee confirming that the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and (b) an opinion of counsel in the jurisdiction of incorporation of the Issuer to the effect that the holders will not recognize income, gain or loss for income tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to income tax in such jurisdiction on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer is a party or by which the Issuer is bound;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture) to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound;

(6) the Issuer must deliver to the Trustee an officers' certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or others; and

(7) the Issuer must deliver to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the indenture or the Notes may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the indenture or the Notes may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of holders holding at least 90% of the then outstanding principal amount of Notes affected thereby, an amendment, supplement or waiver may not (with respect to any Notes held by a non- consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or extend the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption "*—Repurchase at the Option of Holders*");

(3) reduce the rate of or extend the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Additional Amounts, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes;

(6) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest or premium or Additional Amounts, if any, on, the Notes;

(7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "*—Repurchase at the Option of Holders*" and "Asset Sales"); or

(8) make any change in the preceding amendment and waiver provisions.

For the avoidance of doubt, no amendment to, or deletion of any of the covenants described under "*—Certain Covenants*," or action taken in compliance with the covenants in effect at the time of such action, shall be deemed to impair or affect any rights of any holder of the Notes to receive payment of principal of, or premium, if any, or interest on, the Notes or to institute suit for the enforcement of any payment on or with respect to such holder's Notes.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer and the Trustee may amend or supplement the indenture or the Notes:

(1) to cure any ambiguity, omission, manifest error, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code);

(3) to provide for the assumption of the Issuer's obligations to holders of the Notes in the case of a merger or consolidation or sale of all or substantially all of the Issuer's assets;

(4) to add to the covenants or surrender any right or power conferred upon the Issuer, or make any change that would provide any additional rights or benefits to the holders of the Notes or that does not adversely affect the legal rights under the indenture of any such holder;

(5) to conform the text of the indenture or the Notes to any provision of this "Description of Notes" to the extent that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the indenture or the Notes;

(6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the indenture as of the date of the indenture;

(7) to allow any Guarantor to execute a supplemental indenture and/or a Guarantee with respect to the Notes;

(8) to release a Guarantor as provided in the indenture;

(9) to evidence and provide for a successor Trustee;

(10) to make any amendment to the indenture relating to the transfer and legending of the Notes.

(11) to make any change that does not adversely affect the rights of any holder in any material respect;

(12) to give effect to Permitted Liens, and to the extent necessary, to grant a Lien for the benefit of any Person, provided that the granting of such Lien is permitted by the Indenture;

(13) to provide for a reduction in the minimum denominations of Notes; provided that such reduction would not result in a breach of applicable securities laws or in a requirement to produce a prospectus or otherwise register the Notes with any regulatory authority in connection with any investment therein or resale thereof; or

(14) to comply with the rules of any applicable securities depositary.

The consent of the holders of Notes is not necessary under the indenture to approve the particular form of any proposed amendment. It is sufficient if the consent of the holders of Notes approves the substance of the proposed amendment. After an amendment to the indenture becomes effective, the Issuer will be required to provide to the holders of Notes a notice briefly describing such amendment. However, the failure to give such notice to all holders of the Notes, or any defect therein, will not impair or the affect the validity of the amendment.

In determining whether the holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer will be disregarded and deemed not to be outstanding.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer has irrevocably deposited or as directed by or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in euro, non-callable Government Securities, or a combination of cash in euro and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer is a party or by which the Issuer is bound;

(3) the Issuer has paid or caused to be paid all sums payable by it under the indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under the indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an officers' certificate and an opinion of counsel reasonably satisfactory to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Judgment Currency

Any payment on account of an amount that is payable in U.S. dollars (the "Required Currency") which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the "Judgment Currency"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer, shall constitute a discharge of the Issuer's obligation under the indenture or the Notes, as the case may be, only to the extent of the amount of the Required Currency which such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder or the Trustee, as the case may be, and the Issuer shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the indenture, the Notes, and shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Prescription

There is no express term in the indenture as to any time limit on the validity of claims of the holders to interest and repayment of principal, but any such claims will be subject to any statutory limitation period prescribed under the laws of the State of New York.

Notices

For so long as any Notes are represented by Global Notes, all notices to holders of Notes shall be delivered to DTC for communication to Participants in accordance with DTC's procedures. So long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, all notices to holders of Notes from the Issuer will also be published in a newspaper having a general circulation in Luxembourg, which is expected to be the Luxembourg Wort, or on the official website of the Luxembourg Stock Exchange. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. In the case of Certificated Notes, notices will be mailed to holders of Notes by first-class mail at their respective addresses as they appear on the records of the Registrar.

Notices given by publication will be deemed given on the first date on which publication is made. Notices delivered to DTC will be deemed given on the date when delivered. Notices given by first-class mail, postage paid, will be deemed given five calendar days after mailing whether or not the addressee receives it.

So long as any Notes are admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, and to the extent required by the Luxembourg Stock Exchange, the Issuer will provide a copy of all notices to the Luxembourg Stock Exchange.

Concerning the Trustee

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Consent to Jurisdiction and Service of Process

The Issuer will irrevocably submit to the jurisdiction of any New York state or U.S. federal court located in The Borough of Manhattan, City of New York, State of New York in relation to any legal action or proceeding (i) arising out of, related to or in connection with the indenture, the Notes and any related documents and (ii) arising under any U.S. federal or U.S. state securities laws. The Issuer will appoint CT Corporation as its agent for service of process in any such action or proceeding.

Additional Information

Anyone who receives this Offering Memorandum may obtain a copy of the indenture without charge by writing to the Issuer, Zac de Milieux, Rue Adrienne Bolland, 42163, Andrézieux Cedex, France, Attention: Finance Manager.

So long as any Notes are admitted to the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, and to the extent required by the Luxembourg Stock Exchange, copies of the Issuer's annual audited consolidated and unconsolidated financial statements, the Issuer's unaudited consolidated interim quarterly financial statements, the indenture (including the form of Notes), the articles of incorporation of the Issuer, the Offering Memorandum and any documents furnished to the Trustee under the covenant described under the heading "*—Certain Covenants—Reports*" may be obtained, free of charge, during normal business hours at the offices of the Luxembourg Listing Agent.

Governing law

The indenture and the Notes will be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

Set forth below are certain defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that Beneficial Ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For

purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Applicable Premium*" means, with respect to any Note on any redemption date the greater of (A) 1.0% of the principal amount of such Note and (B) with respect to any Note on any redemption date the excess (to the extent positive) of:

in the case of the 2027 Notes:

(1) the present value at such redemption date of (i) the redemption price of such 2027 Note at March 15, 2024 (such redemption price being set forth in the table appearing above under the caption "*—Optional Redemption*") plus (ii) all required interest payments due on such 2027 Note through March 15, 2024, (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(2) the principal amount of such 2027 Note, if greater; or

in the case of the 2030 Notes:

(1) the present value at such redemption date of (i) the redemption price of such 2030 Note at March 15, 2025 (such redemption price being set forth in the table appearing above under the caption "*—Optional Redemption*") plus (ii) all required interest payments due on such 2030 Note through March 15, 2025, (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(2) the principal amount of such 2030 Note, if greater.

"*Asset Sale*" means:

(1) the sale, lease (other than operating leases entered into in the ordinary course of business), conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the indenture described above under the caption *"—Repurchase at the Option of Holders—Change of Control*" and/or the provisions described above under the caption *"—Certain Covenants —Merger, Consolidation or Sale of Assets*" and not by the provisions of the Asset Sale covenant; and

(2) the issuance or sale of Equity Interests in any of the Issuer's Restricted Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets or rights having a Fair Market Value of less than €25.0 million;

(2) a transfer of assets, rights or Equity Interests, between or among the Issuer and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary of the Issuer to the Issuer or to a Restricted Subsidiary of the Issuer;

(4) the sale or lease of products, services or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) a Restricted Payment that does not violate the covenant described above under the caption *"—Certain Covenants—Restricted Payments*" or a Permitted Investment;

(7) licensing or sublicensing of intellectual property or other general intangibles and licenses, leases or subleases of other property in the ordinary course of business;

(8) the disposition of agreements in respect of Hedging Obligations no longer required for the purposes for which such agreement was originally entered into; and

(9) the creation of a Lien not prohibited by the indenture.

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; *provided*, *however*, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation."

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficial Ownership," "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or, except with respect to clause (4) of the definition of "Change of Control," any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in New York City, U.S., London, England or Paris, France or a place of payment under the Indenture are authorized or required by law to close.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Markets Debt*" means any Indebtedness consisting of bonds, debentures, Notes or other similar debt securities either issued in (i) a public offering registered under the U.S. Securities Act, (ii) the eurobond market or (iii) a private or Rule 144A placement to institutional investors, whether or not such investors are granted registration rights, in connection with which, in any such case, the relevant security is settled and cleared through DTC, Euroclear, Clearstream or any similar book-entry system. The term "Capital Markets Debt" shall not include the Notes or any Indebtedness that is not underwritten or placed by an intermediary or that is issued under one or more credit facilities, commercial bank or similar loan agreements, Capital Lease Obligations or any recourse transfer of any financial asset.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union, Switzerland or the United States of America (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of European Union, Switzerland or the United States of America, as the case may be, and which are not callable or redeemable at the Issuer's option; *provided* that such country (or agency or instrumentality) has a long-term government debt rating of "A1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized rating agency, as of the date of the investment;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union, Switzerland or the United States of America or any state thereof; *provided* that (i) such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "A1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized rating agency, as of the date of the investment and (ii) such country under which such bank or trust company is organized or authorized to operate has a long-term government debt rating of "A1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized rating agency, as of the date of the investment;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition;

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition; and

(6) investments made for non-speculative cash management purposes in the ordinary course of business not exceeding €20.0 million at any one time outstanding.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than a Principal or a Related Party of a Principal, *provided* that so long as such surviving or transferee person is a Subsidiary of a parent Person, no "person" shall be deemed to be or become a Beneficial Owner of more than 50% of the total voting power of the Voting Stock of the Issuer unless such "person" shall be or become a Beneficial Owner of more than 50% of the total voting power of the Voting Stock of such parent Person;

(2) the adoption of a plan relating to the liquidation or dissolution of the Issuer;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as defined above), other than the Principals and their Related Parties becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Issuer, measured by voting power rather than number of shares; *provided* that so long as the Issuer is a Subsidiary of a parent Person, no "person" shall be deemed to be or become a Beneficial Owner of more than 50% of the total voting power of the Voting Stock of the Issuer unless such "person" shall be or become a Beneficial Owner of more than 50% of the total voting power of the Voting Stock of such parent Person; or

(4) after an initial public offering of the Issuer or any direct or indirect parent of the Issuer, the first day on which a majority of the members of the Board of Directors of the Issuer are not Continuing Directors.

"*Change of Control Offer*" has the meaning assigned to that term in the indenture governing the Notes.

"*Consolidated Cash Flow*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; plus

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; plus

(4) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non- cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non- cash expenses were deducted in computing such Consolidated Net Income; plus

(5) extraordinary, exceptional or unusual charges to the extent such charges were deducted in computing such Consolidated Net Income; minus

(6) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary (including an Unrestricted Subsidiary or a joint venture that is not a Restricted Subsidiary) or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) solely for purposes of determining the amount available for Restricted Payments under clause (c)(i) following the definition of Restricted Payments, the Net Income (but not loss) of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless such restrictions with respect to the payment of dividends or similar distributions have been legally waived;

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) non-cash gains and losses attributable to movement in the mark-to-market valuation of Hedging Obligations pursuant to International Accounting Standards Statement No. 30 will be excluded; and

(5) any increase in amortization or depreciation resulting from purchase accounting will be excluded.

"*Consolidated Total Debt*" means, as of the date of determination, an amount equal to the sum (without duplication) of (1) the aggregate amount of all outstanding Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis, but excluding the amount of any Hedging Obligations (other than Hedging Obligations entered into for speculative purposes) plus (2) the aggregate amount of all outstanding Disqualified Stock of the Issuer and its Restricted Subsidiaries, other than any Disqualified Stock issued by the Issuer to any Guarantor, or by a Guarantor to the Issuer or any other

Guarantor, on a consolidated basis, with the amount of such Disqualified Stock equal to the greater of their respective voluntary or involuntary liquidation preferences and Maximum Fixed Repurchase Price.

For purposes hereof, the "Maximum Fixed Repurchase Price" of any Disqualified Stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Consolidated Total Debt shall be required to be determined pursuant to the indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value shall be determined reasonably and in good faith by the Issuer.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Issuer who:

(1) was a member of such Board of Directors on the date of the indenture; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"*Credit Agreements*" means the Revolving Credit Agreement and the Senior Unsecured Credit Agreement, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"*Credit Facilities*" means, one or more debt facilities (including, without limitation, the Credit Agreements) or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, capital expenditure lines, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of Capital Markets Debt) in whole or in part from time to time.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the Fair Market Value of non-cash consideration received by the Issuer or any Restricted Subsidiary in connection with an Asset Sale that is designated as such on the closing date of such Asset Sale pursuant to an officers' certificate, setting forth the basis of such valuation. The aggregate Fair Market Value of the Designated Non-Cash Consideration at the time of receipt, taken together with the Fair Market Value (measured on the date of receipt) of all other Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary since the date of the indenture, may not exceed €75.0 million in the aggregate.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*."

The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the indenture will be the maximum amount that the Issuer and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in the

Financial Times in the "Currency Rates" section (or, if the Financial Times is no longer published, or if such information is no longer available in the Financial Times, such source as may be selected in good faith by the Issuer) on the date of such determination.

"*European Union Member State*" shall mean any country that was a member of the European Union as of February 1, 2020.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Existing Indebtedness*" means Indebtedness of the Issuer and its Restricted Subsidiaries (other than Indebtedness under the Credit Agreements) in existence on the date of the indenture, after giving effect to the net proceeds of the issuance of the Notes, until such amounts are repaid.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Issuer (unless otherwise provided in the indenture).

"*Fixed Charge Coverage Ratio*" means with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four- quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given *pro forma* effect as if they had occurred on the first day of the four quarter reference period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

For purposes of this definition, whenever *pro forma* effect is to be given to an acquisition or other Investment and the amount of income or earnings relating thereto, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of anticipated expense and cost reductions and synergies), provided that such adjustments are set forth in an officer's certificate signed by such officer which states (i) the

amount of such adjustment or adjustments, (ii) that such adjustment or adjustments is based on the reasonable good faith beliefs of such officer at the time of such execution and (iii) that any related incurrence of Indebtedness is permitted pursuant to the indenture. In addition, for purposes of this definition, in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness on such date.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs (but excluding costs incurred in connection with the issuance of the Notes and the use of proceeds therefrom on or about the date of the indenture) and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; plus

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; plus

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Issuer (other than Disqualified Stock) or to the Issuer or a Restricted Subsidiary of the Issuer, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP.

"*GAAP*" means accounting principles adopted by the International Accounting Standards Board and its procedures ("IFRS"), as in effect from time to time.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantor*" means any Subsidiary of the Issuer that executes a Note Guarantee in accordance with the provisions of the indenture, and its respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, Notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations, if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to directors, officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Issuer or any Subsidiary of the Issuer sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption *"—Certain Covenants—Restricted Payments*." The acquisition by the Issuer or any Subsidiary of the Issuer of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption *"—Certain Covenants—Restricted Payments*." Except as otherwise provided in the indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with: (a) any Asset Sale by any such Person or its Restricted Subsidiaries, (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or (c) the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

"*Net Proceeds*" means the aggregate amount of cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Issuer nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Issuer or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Issuer or any of its Restricted Subsidiaries.

"*Note Guarantee*" means the Guarantee by each Guarantor of the Issuer's obligations under the indenture and the Notes, executed pursuant to the provisions of the indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Permitted Business*" means any business in which the Issuer and its Subsidiaries were engaged on the date of the indenture, and any business incidental, reasonably related, complementary or ancillary thereto, or which is a reasonable extension thereof as determined in good faith by the Board of Directors of the Issuer.

"*Permitted Investments*" means:

(1) any Investment in the Issuer or in a Restricted Subsidiary of the Issuer;

(2) any Investment in Cash Equivalents;

(3) any Investment by the Issuer or any Restricted Subsidiary of the Issuer in a Person, if as a result of such Investment:

  (a) such Person becomes a Restricted Subsidiary of the Issuer; or

  (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary of the Issuer;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "*—Repurchase at the Option of Holders—Asset Sales*";

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer;

(6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business;

(8) Investments represented by Hedging Obligations;

(9) loans or advances to directors, officers or employees made in the ordinary course of business of the Issuer or any Restricted Subsidiary of the Issuer in an aggregate principal amount not to exceed €5.0 million at any one time outstanding;

(10) repurchases of the Notes, including any Additional Notes issued pursuant to the indenture;

(11) additional Investments by the Issuer or any of its Restricted Subsidiaries in one or more joint ventures or Unrestricted Subsidiaries, in each case conducting a Permitted Business having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (11), not to exceed at any one time outstanding the greater of (a) €100.0 million and (b) 3.0% of Total Assets at the time of such Investment (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value); *provided*, *however*, that if any Investment pursuant to this clause (11) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (11) for so long as such Person continues to be a Restricted Subsidiary;

(12) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (12) that are at the time outstanding not to exceed the greater of (a) €100.0 million and (b) 3.0% of Total Assets at the time of such Investment; and

(13) any Investment existing on, or made pursuant to written agreements existing on, the date of the indenture and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the date of the indenture; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the date of the indenture or (b) as otherwise permitted under the indenture.

"*Permitted Liens*" means:

(1) Liens on assets of the Issuer or any of its Restricted Subsidiaries securing Indebtedness and other Obligations under the Credit Facilities that was incurred pursuant to either clause (1) or clause (15) of the definition of Permitted Debt and/or securing Hedging Obligations related thereto;

(2) Liens in favor of the Issuer or any Restricted Subsidiary of the Issuer;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Issuer or any Restricted Subsidiary of the Issuer; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Issuer or the Subsidiary;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Issuer or any Subsidiary of the Issuer; *provided* that such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;

(5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds, letters of credit, banker's acceptances or other obligations of a like nature incurred in the ordinary course of business;

(6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" covering only the assets acquired with or financed by such Indebtedness;

(7) Liens existing on the date of the indenture, other than Liens securing Indebtedness and other obligations incurred pursuant to clause (1) of the second paragraph of the covenant entitled *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(9) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(10) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to

the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) Liens created for the benefit of (or to secure) the Notes;

(12) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(13) bankers' Liens, rights of setoff, Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(14) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(15) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(16) grants of software and other technology licenses in the ordinary course of business;

(17) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(18) Liens on the Capital Stock of any Unrestricted Subsidiary to secure Indebtedness of such Unrestricted Subsidiary;

(19) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the indenture;

provided, *however*, that:

(a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(20) any interest or title of a lessor under any Capital Lease Obligations or operating leases;

(21) any encumbrance or restriction (including, but not limited to, put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(22) Liens of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of a Restricted Subsidiary that is not a Guarantor;

(23) Liens in respect of the ownership interests in, or assets owned by, any joint venture to secure Indebtedness of such joint venture; and

(24) Liens incurred in the ordinary course of business (other than for borrowing purposes) of the Issuer or any Restricted Subsidiary of the Issuer with respect to obligations that do not exceed €100.0 million at any one time outstanding.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) such Indebtedness is incurred either by the Issuer or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Principals*" means Mr. René Pich and his estate, spouse, siblings, ancestors, heirs and lineal descendants, and spouses of any such Persons, the legal representatives of any of the foregoing, and the Trustee of any bona fide trust of which one or more of the foregoing are the principal beneficiaries or the grantors or any other Person that is controlled by any of the foregoing or trustee of any replacement trust to any such trust.

"*Priority Debt*" means

(1) all secured Indebtedness of the Issuer; and

(2) any Indebtedness of any Restricted Subsidiary permitted to be incurred under the terms of the indenture (excluding Permitted Debt incurred under clauses (6), (7), (8), (9), (11), (12) and (13) thereof and excluding any guarantee by a Restricted Subsidiary of Indebtedness of the Issuer in cases in which the Notes also benefit from a *pari passu* guarantee of such Indebtedness).

Notwithstanding anything to the contrary in the preceding, Priority Debt will not include:

(1) any liability for federal, state, local or other taxes owed or owing by the Issuer or any of its Restricted Subsidiaries;

(2) any trade payables; or

(3) Indebtedness which is classified as non-recourse in accordance with GAAP or any unsecured claim arising in respect thereof by reason of the application of any relevant bankruptcy or insolvency law, rule or regulation.

"*Public Equity Offering*" means a primary offering of Capital Stock (other than Disqualified Stock) of the Issuer where such Capital Stock is listed or quoted on a recognized securities exchange or inter-dealer quotation system in any European Union Member State, Norway, Switzerland or the United States.

"*Related Party*" means:

(1) any controlling stockholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of any Principal; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding an 80% or more controlling interest of which

consist of any one or more Principals and/or such other Persons referred to in the immediately preceding clause (1).

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"*Revolving Credit Agreement*" means that certain Credit Agreement, dated as of July 31, 2015, by and among the Issuer, as borrower, Bank of America Merrill Lynch International Limited, BNP Paribas, Crédit Agricole Corporate and Investment Bank and Société Générale Corporate & Investment Banking, as lead arrangers, and Société Générale Corporate & Investment Banking, as facility agent, and the lenders thereto, among others, including any related Notes, guarantees, instruments and agreements executed in connection therewith, as amended on June 22, 2018, and, in each case, as further amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"*S&P*" means Standard & Poor's Ratings Group.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Senior Unsecured Credit Agreement*" means that certain Credit Agreement, dated as of October 3, 2018, by and among the Issuer, as borrower and the European Investment Bank as lender, including any related Notes, guarantees, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the indenture.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of the indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Obligations*" means any Indebtedness (whether outstanding on the date of the indenture or thereafter incurred) that is subordinated or junior in right of payment to the Notes.)

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Total Assets*" means the total consolidated assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer.

"*Total Leverage Ratio*" means (1) Consolidated Total Debt of the Issuer as of such date of determination to (2) Consolidated Cash Flow of the Issuer for the most recent four quarter period for which internal financial statements are available, in each case with such pro forma adjustments to Consolidated Total Debt and Consolidated Cash Flow as are consistent with the pro forma adjustment provisions set forth in the definition of "Fixed Charge Coverage Ratio."

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of the earlier of (a) such redemption date or (b) the date on which such Notes are defeased or satisfied and discharged, of the most recently issued United States

Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to such date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to March 15, 2024 (in the case of the 2027 Notes) or March 15, 2025 (in the case of the 2030 Notes); provided, however, that if the period from the redemption date to March 15, 2024 (in the case of the 2027 Notes) or March 15, 2025 (in the case of the 2030 Notes) is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. Any such Treasury Rate shall be obtained by the Issuer.

"*Unrestricted Subsidiary*" means any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "*—Certain Covenants—Transactions with Affiliates*," is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary of the Issuer unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer;

(3) is a Person with respect to which neither the Issuer nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Issuer or any of its Restricted Subsidiaries.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A ("**Rule 144A Notes**"). The Notes also may be offered and sold in offshore transactions in reliance on Regulation S ("**Regulation S Notes**"). Except as set forth below, the Notes will be issued in registered, global form in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A Notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "**Rule 144A Global Notes**"). Regulation S Notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "**Regulation S Global Notes**" and together with the Rule 144A Global Notes, the "**Global Notes**"). The Rule 144A Global Notes and the Regulation S Global Notes will be deposited upon issuance with The Bank of New York Mellon as custodian for The Depository Trust Company ("**DTC**"), and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "**Restricted Period**"), beneficial interests in the Regulation S Global Notes may be held only through the Euroclear System ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**") (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See "— Exchanges between Regulation S Notes and Rule 144A Notes."

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive notes in registered certificated form ("**Certificated Notes**") except in the limited circumstances described below. See "— Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Transfer Restrictions." Regulation S Notes will also bear the legend as described under "Transfer Restrictions." In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Issuer takes no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised the Issuer that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "*Participants*") and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "*Indirect Participants*"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Issuer that, pursuant to procedures established by it:

(1) upon deposit of the Global Notes, DTC will credit the accounts of the Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and

(2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Investors in the Rule 144A Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants. Investors in the Regulation S Global Notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants. After the expiration of the Restricted Period (but not earlier), investors may also hold interests in the Regulation S Global Notes through Participants in the DTC system other than Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Clearstream Banking S.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, premium on, if any, interest and Additional Amounts, if any, on, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the Issuer and the trustee will treat the Persons in whose names the notes, including the Global Notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the trustee nor any agent of the Issuer or the trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the trustee or the Issuer. Neither the Issuer nor the trustee will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the notes, and the Issuer and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between the Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the Participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by their respective depositaries; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the notes, DTC reserves the right to exchange the Global Notes for legended notes in certificated form, and to distribute such notes to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of the Issuer, the trustee and any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

(1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Issuer fails to appoint a successor depositary;

(2) the Issuer, at its option, notifies the trustee in writing that it elects to cause the issuance of the Certificated Notes; *provided* that in no event shall the Regulation S Global Note be exchanged for Certificated Notes prior to (a) the expiration of the Restricted Period and (b) the receipt of any certificates required under the provisions of Regulation S; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the notes.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with the indenture. Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Transfer Restrictions."

Exchanges Between Regulation S Notes and Rule 144A Notes

Prior to the expiration of the Restricted Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if:

(1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and

(2) the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a Person:

(a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;

(b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Note prior to the expiration of the Restricted Period.

Same Day Settlement and Payment

The Issuer will make payments in respect of the notes represented by the Global Notes (including principal, premium, if any, interest and Additional Amounts, if any), by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. The Issuer will make all payments of principal, premium, if any, interest and Additional Amounts, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The notes represented by the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

PLAN OF DISTRIBUTION

BofA Securities, Inc. and BNP Paribas Securities Corp. are acting as representatives ("Representatives") of each of the Initial Purchasers named below. Subject to the terms and conditions set forth in a purchase agreement among us and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of Notes set forth opposite its name below.

Initial purchaser	Principal Amount of 2027 Notes	Principal Amount of 2030 Notes
BofA Securities, Inc.	$ 157,500,000	$ 157,500,000
BNP Paribas Securities Corp.	140,000,000	140,000,000
Crédit Agricole Corporate and Investment Bank	17,500,000	17,500,000
Natixis	17,500,000	17,500,000
Société Générale	17,500,000	17,500,000
Total	$350,000,000	$350,000,000

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the nondefaulting Initial Purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

Commissions and Discounts

The Representatives have advised us that the Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this Offering Memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors" and "Transfer Restrictions."

New Issue of Notes

The Notes are a new issue of securities with no established trading market. We have applied for listing of the Notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange. We have been advised by certain of the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other

factors.

Settlement

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be seven business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+7"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next four successive business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 90 days after the date of this Offering Memorandum, without first obtaining the prior written consent of the Representatives, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities, except for the Notes sold to the Initial Purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Notice to Prospective Investors in the European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to produce a prospectus for offers of the Notes. In relation to each Member State, no offer of Notes to the public in that Member State may be made other than:

(a) to any legal entity which is a Qualified Investor;

(b) to fewer than 150 natural or legal persons other than a Qualified Investor; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes shall require us or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

For the purposes of this section, the expression an "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prohibition of Sales to EEA and UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a Qualified Investor. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared, and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (as amended, the "UK PRIIPs Regulation") for offering or selling the debt securities described in the Offering Memorandum or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling such debt securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notice to Prospective Investors in the UK

The Initial Purchaser has represented and agreed that it has:

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

- complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

This Offering Memorandum is for distribution only to, and is directed solely at persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (iii) are persons falling within Articles 49(2)(a) to (d) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). This Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Offering Memorandum or any of its contents.

Notice to Prospective Investors in France

This Offering Memorandum has not been prepared and is not being distributed in the context of a public offering of financial securities in France (*offre au public de titres financiers*) within the meaning of the Prospectus Regulation.

Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and neither this Offering Memorandum nor any offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

Notwithstanding the foregoing, the Notes may only be offered or sold in France exclusively to a limited number of investors acting for their own account (*cercle restreint d'investisseurs agissant pour compte propre*) or to qualified investors (*investisseurs qualifiés*) as defined by Article 2(e) of the Prospectus Regulation. in accordance with Article L.411-2 of the French Monetary and Financial Code (*Code monétaire et financier*).

Prospective investors are informed that:

(i) this Offering Memorandum has not been and will not be submitted for clearance to the *Autorité des marchés financiers* (the "**AMF**");

(ii) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with article 5 of the Prospectus Regulation.

Investors in France and persons into whose possession offering materials come must inform themselves about, and observe, any such restrictions.

Notice to Prospective Investors in Switzerland

This Offering Memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this Offering Memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to Prospective Investors in the Dubai International Financial Centre

This Offering Memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This Offering Memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Offering Memorandum nor taken steps to verify the information set forth herein and has no responsibility for the Offering Memorandum. The notes to which this Offering Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this Offering Memorandum you should consult an authorized financial advisor.

Notice to Prospective Investors in Austria

The Notes may be offered and sold in Austria only in accordance with the provisions of the Banking Act, the Securities Supervision Act of Austria (*Bankwesengesetz and Wertpapieraufsichtsgesetz*) and any other applicable Austrian law. The Notes have not been admitted to public offer in Austria under the provisions of the Capital Markets Act or the Investment Fund Act or the Exchange Act (*Kapitalmarktgesetz, Investmentfondsgesetz or Börsengesetz*). Consequently, in Austria, the Notes may not be offered or sold directly or indirectly by way of a public offering in Austria and will only be available to a limited group of persons within the scope of their professional activities.

Notice to Prospective Investors in Belgium

The offering of the Notes has not been notified to the Belgian Banking, Finance and Insurance Commission (*Commission bancaire, financière et des assurances*) pursuant to Article 18 of the Belgian law of 22 April 2003 on the public offering of securities (the "Law on Public Offerings") nor has this Offering Memorandum been, or will it be, approved by the Belgian Banking, Finance and Insurance Commission pursuant to Article 14 of the Law on Public Offerings. Accordingly, the offering may not be advertised, the Notes may not be offered or sold, and this Offering Memorandum nor any other information circular, brochure or similar document may not be distributed, directly or indirectly, to any person in Belgium other than (i) institutional investors referred to in Article 3,2 of the Belgian Royal Decree of 7 July 1999 on the public character of

financial transactions, acting for their own account or (ii) investors wishing to acquire the Notes for an amount of at least €250,000 (or its equivalent in foreign currencies) per transaction, as specified in Article 3,1 of the Royal Decree.

Notice to Prospective Investors in Denmark

This Offering Memorandum has not been filed with or approved by any authority in the Kingdom of Denmark. The Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark, unless in compliance with the Danish Act on Trading in Securities and the Danish Executive Order No. 166 of 13 March 2003 on the First Public Offer of Certain Securities issued pursuant hereto as amended from time to time.

Notice to Prospective Investors in Germany

The Notes will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Gesetz über die Erstellung, Billigung und Veröffentlichung des Prospekts, der beim öffentlichen Angebot von Wertpapieren oder bei der Zulassung von Wertpapieren zum Handel an einem organisierten Markt zu veröffenlichen ist — Wertpapierprospektgesetz*) as of 22 June 2005, effective as of 1 July 2005 as amended, or any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. This Offering Memorandum has not been approved under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or the Directive 2003/71/EC and no selling prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Selling Prospectus Act has been or will be registered within the Financial Supervisory Authority of the Federal Republic of Germany or otherwise published in Germany.

Notice to Prospective Investors in Grand Duchy of Luxembourg

The terms and conditions relating to this Offering Memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for the purposes of public offering or sale in the Grand Duchy of Luxembourg. Accordingly, the Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in or from, or published in, the Grand Duchy of Luxembourg except for the sole purpose of the admission of the Notes to the Official List of the Luxembourg Stock Exchange and admission of the Notes for trading on the Euro MTF market and except in circumstances which do not constitute a public offer of securities to the public.

Notice to Prospective Investors in Ireland

No offer of notes to the public in Ireland shall be made at any time except:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last fiscal year; (2) a total balance sheet of more than €43,000,000 and (3) an annual turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or

(c) in any other circumstance which does not require the publication of a prospectus pursuant to the Prospectus (Directive 2003/71/EC) Regulations 2005.

Notice to Prospective Investors in The Netherlands

The Initial Purchasers represent and agree that (a) they are a professional market party ("PMP") within the meaning of Section 1(e) of the Exemption Regulation of 26 June 2002 in respect of the Act on the Supervision of the Credit System 1992 (*Vrijstellingsregeling Wet toezicht kredietwezen 1992*), as amended from time to time (the "Exemption Regulation"), where applicable read in conjunction with the policy rules of the Dutch Central Bank (*de Nederlandsche Bank N.V*) on key concepts of market access and enforcement of the Act on the Supervision of the Credit System 1992 (*Wet toezicht kredietwezen 1992*) published on 29 December 2004 (*Beleidsregel 2005 kernbegrippen markttoetreding en handhaving Wtk 1992*) (the "Policy Rules"), and Section 2 of the Policy Rules, as amended, supplemented and restated from time to time and (b) they have

offered or sold and will offer or sell, directly or indirectly, as part of the initial distribution or at any time thereafter, the Notes exclusively (i) to PMPs as reasonably identified by the Issuer on the issue date or (ii) to persons which cannot reasonably be identified as PMPs by the Issuer on the issue date, provided that the Notes have a denomination of $200,000 (or the equivalent in any other currency) and shall upon their issuance be included in a clearing institution that is established in a EU Member State, the United States of America, Japan, Australia, Canada or Switzerland; so that it can reasonably be expected that the Initial Purchasers will transfer the Notes exclusively to other PMPs.

Notice to Prospective Investors in Norway

This Offering Memorandum has not been prepared in accordance with Chapter 5 of the Norwegian Securities Trading Act and has not been approved or registered with the Oslo Stock Exchange nor the Norwegian Registry of Business Enterprises. It can be distributed in Norway only in such ways and to the extent that the prospectus requirement is not triggered pursuant to the aforementioned act.

Notice to Prospective Investors in Italy

The Initial Purchasers have acknowledged that the offer of the Notes has not been registered with the Commissione Nazionale per le Societ'a e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, notes may not be offered, sold or delivered, nor may copies of this document or of any other document relating to the Notes be distributed in the Republic of Italy in a solicitation to the public at large (*sollecitazione all'investimento*) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree No. 58 of 24 February 1998 as amended (the "Financial Services Act"), unless an exemption applies.

Accordingly, in the Republic of Italy, the Notes:

(a) shall only be offered or sold to professional investors (*operatori qualifficati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended and effected in compliance with the terms and procedures provided therein ("Regulation No. 11522"); or

(b) shall only be offered or sold in circumstances which are exempted from the rules on solicitations of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Moreover, and subject to the foregoing, the Initial Purchasers have acknowledged that any offer, sale or delivery of the Notes or distribution of copies of this document or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act"), Regulation No. 11522 and any other applicable laws and regulations;

(ii) in compliance with Article 100-bis of the Financial Services Act (if applicable); and

(iii) in compliance with any other applicable laws and regulations including any relevant notification requirements or limitations which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing the Notes in the offering is solely responsible for ensuring that any offer or resale of the Notes it purchased in the offering occurs in compliance with applicable Italian laws and regulations. Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the EU Directive No. 2003/71 (the "Prospectus Directive"), such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing provisions.

Notice to Prospective Investors in Spain

The proposed offer of Notes has not been registered with the *Comisi'on Nacional del Mercado de Valores* (the "CNMV") and therefore the Notes may not be offered in Spain by any means, except in circumstances which do not qualify as

a public offer of securities in Spain in accordance with article 30 bis of the Securities Market Act "*Ley 24/1988, de 28 de julio de Mercado de Valores*") as amended, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 ("*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisi'on a negociaci'on de valores en mercados secundarios oficiales, de ofertas p'ublicas de venta o suscripci'on del folleto exigible a tales efectos*").

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Other Relationships

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. For example, certain of the Initial Purchasers or their respective affiliates are lenders under the agreement governing the Issuer's Revolving Credit Facility.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

CERTAIN U.S. TAX CONSIDERATIONS

The following summary describes the material U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder, as defined below. The discussion set forth below is applicable to U.S. holders that purchase Notes in this offering for a price equal to the issue price of the Notes (i.e., the first price at which a substantial amount of the Notes of the applicable series is sold for money other than to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Except where noted, this section deals only with Notes held as capital assets and does not deal with special situations, for example, those of dealers in securities or currencies, financial institutions, tax-exempt entities, insurance companies, real estate investment trusts, regulated investment companies, partnerships or other pass-through entities for U.S. federal income tax purposes, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons liable for alternative minimum tax or medicare tax on net investment income, persons holding Notes as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, certain U.S. expatriates, U.S. holders of Notes who file applicable financial statements and are required to recognize income when the associated revenue is reflected on such financial statements, U.S. holders whose Senior Notes due 2025 are redeemed with the proceeds of this offering, U.S. holders of Notes whose "functional currency" is not the U.S. dollar or U.S. holders that acquire the Notes for a price other than their issue price. If an entity or arrangement classified as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner will generally depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. If you are a partner of an entity or arrangement classified as a partnership for U.S. federal income tax purposes that holds the Notes, you should consult your tax advisors. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), and U.S. Treasury Regulations ("**Treasury Regulations**"), administrative proceedings and judicial decisions thereunder as of the date of this Offering Memorandum. These authorities may be repealed, revoked or modified, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. This summary does not represent a detailed description of the U.S. federal income tax consequences to you in light of your particular circumstances and does not address U.S. federal gift or estate tax consequences, or U.S. state or local or non-U.S. tax consequences, relating to the purchase, ownership and disposition of the Notes. **Persons considering the purchase, ownership or disposition of Notes should consult their own tax advisors concerning the U.S. federal income tax consequences related to their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.**

As used herein, a "U.S. holder" means a beneficial owner of a Note that is for U.S. federal income tax purposes: (i) an individual citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust (X) that is subject to the primary supervision of a court within the United States and the control of one or more United States persons as described in section 7701(a)(30) of the Code or (Y) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

Possible Application of Rules Governing Contingent Payment Debt Instruments

The terms of the Notes provide for payments in excess of stated interest and principal under certain circumstances. For example, in the event of a Change of Control, we would generally be required to offer to repurchase the Notes at 101% of their principal amount plus accrued and unpaid interest (see "Description of Notes—Repurchase at the Option of Holder—Change of Control"). The obligation to make these payments may implicate the provisions of the Treasury Regulations relating to "contingent payment debt instruments." If the Notes were deemed to be contingent payment debt instruments, you might be required to accrue interest income based upon a "comparable yield" (as defined in the Treasury Regulations) determined at the time of issuance of the Notes, with adjustments to such accruals when any contingent payments are made that differ from the payments based on the comparable yield. In addition, any income on the sale, exchange, retirement or other taxable disposition of the Notes would be treated as interest income rather than as capital gain. We intend to take the position that the possibility of such payments does not result in the Notes being treated as contingent payment debt instruments under the applicable Treasury Regulations. Our position is not binding on the Internal Revenue Service ("IRS") and there is no assurance that the IRS will not take a contrary position. You are urged to consult your tax adviser regarding the possible application of the contingent payment debt instrument rules to the Notes. The remainder of this discussion assumes that the Notes will not be considered contingent payment debt instruments.

Payments of Interest

It is expected, and the following discussion assumes, that the Notes will not be issued with original issue discount for U.S. federal income tax purposes.

Interest on the Notes (including Additional Amounts, if any and any foreign taxes withheld on payments of interest or Additional Amounts) will generally be taxable to a U.S. holder as ordinary income at the time it is paid or accrued in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes. Interest income on the Notes generally will constitute foreign source income and generally will constitute "passive category income" for U.S. foreign tax credit purposes. The calculation and timing of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend upon a U.S. holder's particular circumstances. U.S. holders should consult with their own tax advisors with regard to the availability of a credit or deduction in respect of foreign taxes and, in particular, the application of the foreign tax credit rules to their particular situations.

Sale, Exchange or Retirement of Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. holder will generally recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other taxable disposition, less any accrued and unpaid interest, which will be taxable as described above to the extent not previously included in income, and the U.S. holder's tax basis in the Note. A U.S. holder's tax basis in a Note generally will equal the acquisition cost of the Note.

Gain or loss recognized by a U.S. holder on the sale, exchange, retirement or other disposition of a Note will generally be treated as U.S. source gain or loss. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition the Note has been held for more than one year by the U.S. holder. Capital gains of certain non-corporate U.S. holders, including individuals, derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

In general, information reporting may apply to payments of principal and interest on a Note and to the proceeds of the sale of a Note made to U.S. holders other than exempt recipients. Backup withholding will apply to these payments if a U.S. holder fails to provide its taxpayer identification number and make various certifications or otherwise establish an exemption.

Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is furnished on a timely basis to the IRS.

Foreign Financial Asset Reporting

Certain U.S. holders (including individuals and certain entities treated as individuals for purposes of these rules) who hold "specified foreign financial assets" (as defined in the Code), including the Notes, whose aggregate value exceeds certain thresholds during the taxable year and which assets are not held in an account maintained by a "financial institution" (as defined in the Code), may be required to attach to their tax returns for the year certain specified information, currently on IRS Form 8938. An applicable U.S. holder that fails to timely furnish the required information may be subject to a penalty. U.S. holders should consult their own tax advisors regarding these potential reporting obligations.

The above summary is not intended to constitute a complete analysis of all U.S. federal income tax consequences to an investor of acquiring, owning and disposing of the Notes. Each prospective investor should consult its own tax advisor with respect to the U.S. federal, state and local and non-U.S. income and other tax consequences of acquiring, holding and disposing of the Notes.

CERTAIN FRENCH AND EU TAX CONSIDERATIONS

Certain French tax considerations

The following is a summary of certain French tax considerations relating to the purchase, ownership and disposition of the Notes by a beneficial owner of Notes that: (i) is not a French resident for French tax purposes; (ii) that does not hold the Notes in connection with a business or profession conducted in France or a permanent establishment or fixed base in France (such beneficial owner, a "**Non-French Resident Holder**"); (iii) is not related to the Issuer within the meaning of Article 39.12 of the French Tax Code; and (iv) do not hold shares of the Issuer. This summary is based on the tax laws and regulations of France, as currently in effect and applied by the French tax authorities, and all of which are subject to change or to different interpretation. This summary is for general information only and does not address all of the French tax considerations that may be relevant to specific beneficial owners in light of their particular circumstances. Furthermore, this summary does not address any French estate or gift tax considerations.

Article 1649 AC of the French Tax Code imposes on financial institutions within the meaning of Article 1 of Decree n°2016-1683 to review and collect information on their clients and investors, in order to identify their tax residence, as well as to provide certain account information to relevant foreign tax authorities (via the French tax authorities) on an annual basis.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO FRENCH TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

Taxation in France of interest and other assimilated revenues with respect to the Notes

According to Article 125 A III of the French Tax Code payments of interest and other assimilated revenues made by a debtor with respect to a particular debt are not subject to withholding tax unless such payments are made outside of France in a Non-Cooperative State, other than a state mentioned in Article 238-0 A 2 bis 2° of the same code, irrespective of the holder's residence for tax purposes or registered headquarters. If such payments are made outside of France in a Non-Cooperative State, other than a state mentioned in Article 238-0 A 2 bis 2° of the French Tax Code, a 75% withholding tax is applicable (subject to certain exceptions certain of which are set forth below and to the more favorable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French Tax Code. The list of Non-Cooperative States is published by a ministerial order (arrêté), and, as from December 9, 2016, must be updated at least once a year. The list of Non-Cooperative States was last updated on February 26, 2021 and currently includes the American Virgin Islands, the American Samoa, Anguilla, the British Virgin Islands, Dominica, Fiji, Guam, Palau, Panama, Samoa, Seychelles, Trinidad and Tobago and Vanuatu. States referred to in Article 238-0 A 2 bis 2°, and thus outside of the scope of Article 125 A III of the French Tax Code, currently are Dominica, Fiji, Guam, the United States Virgin Islands, Palau, the American Samoa, Samoa, Trinidad and Tobago Anguilla, Panama and Seychelles.

Furthermore, pursuant to Article 238 A of the French Tax Code, interest and other similar revenues on debt are not deductible from the debtor's taxable income if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid to a bank account opened in a financial institution located in such a Non-Cooperative State, subject to the exceptions set-out in the following paragraph (the "Deductibility Exclusion"). Under certain conditions, any such non-deductible interest and other similar revenues may be recharacterized as constructive dividends pursuant to Article 109 et seq. of the French Tax Code, in which case it may be subject to the withholding tax set out under Article 119 bis 2 of the French Tax Code, at a rate of (i) 75% in case of payment made outside France on an account opened in a financial institution located in a Non-Cooperative State, or, (ii) to the extent that such payment is made to persons domiciled or established in a Non-Cooperative State but not paid to a bank account opened in a financial institution located in such a Non-Cooperative State, (A) 12.8% for payments benefitting to individuals who are not French tax residents or (B) the standard corporate income tax rate set forth in the first sentence of the second paragraph of Article 219-I of the French Tax Code, 26.5% for fiscal years beginning as from January 1, 2021 and 25% for fiscal years beginning as from January 1, 2022 for payments benefitting to legal persons who are not French tax residents, subject in each case to the more favorable provisions of any applicable double tax treaty.

Notwithstanding the foregoing, Articles 125 A III and 238 A of the French Tax Code provide that neither the 75% withholding tax set out under Article 125 A III of the French Tax Code nor the Deductibility Exclusion and related withholding tax set out under Article 119 *bis* 2 of the French Tax Code may be levied as a result of the Deductibility Exclusion, will apply to the extent the Issuer can prove that, (i) in respect of the Deductibility Exclusion, the relevant interest and other similar revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, and (ii) the main

purpose and effect of such transactions was not that allow the payments of interest and other similar revenues to be made in a Non-Cooperative State (the "**Exception**").

However, pursuant to the administrative guidelines (*Bulletin Officiel des Finances Publiques-Impôts*) of the *Direction générale des finances publiques* **(**BOI-INT-DG-20-50-30 dated 24/02/2021, §150, and BOI-INT-DG-20-50-20 dated 24/02/2021 §290) (the "**Administrative Guidelines**"), an issue of Notes will automatically benefit from the Exception without the Issuer having to provide any evidence supporting the main purpose and effect of such issue of Notes, if such Notes are:

(i) offered by means of a public offer within the meaning of Regulation EU 2017/1129 as referred to in Article L.411-1 of the French monetary and financial code (*Code monétaire et financier*) or pursuant to an equivalent offer in a State other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or

(ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

(iii) admitted, at the time of their issue, to the operations of a central depositary or of a securities clearing, delivery and payments systems operator within the meaning of Article L.561-2 of the French monetary and financial code, or of one or more similar foreign depositaries or operators provided that such depositary or operator is not located in a Non-Cooperative State.

The Notes issued pursuant to this Offering Memorandum qualify as debt securities in accordance with article L. 228-91 and seq. of the French commercial code. To the extent that (i) as of the date of their admission to trading, the Notes will be admitted to trading on the LuxSE in Luxembourg (which does not qualify as a Non-Cooperative State) and that such market is operated by a market operator which is not located in a Non-Cooperative State and/or (ii) the Notes will be admitted, at the time of their issue, to the operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L. 561-2 of the French monetary and financial code, or one or more similar foreign depositaries or operators, which will not be located in a Non-Cooperative State, payments of interest and other similar revenues made by or on behalf of the Issuer with respect to the Notes will not be subject to the withholding tax set out under Article 125 A III of the French Tax Code, as construed by the French tax authorities under the Administrative Guidelines. Moreover, to the same extent, interest and other similar revenues paid by or on behalf of the Issuer with respect to the Notes will be subject neither to the Deductibility Exclusion set out under Article 238 A of the French Tax Code, nor to the withholding tax set out under Article 119 *bis* 2 of the French Tax Code solely on account of their being paid on a bank account opened in a financial institution established in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

Taxation on disposal

Beneficial owners of the Notes who are Non-French Resident Holder and who do not hold their Notes in connection with a permanent establishment or a fixed place of business in France should not be subject to income or withholding taxes in France in respect of the gains realized on the sale, exchange, or disposal of the Notes.

Stamp duties

No transfer taxes or similar duties are payable in France in connection with the transfer of the Notes, provided that such transfers are not recorded in a deed registered with the French tax authorities on a voluntary basis.

Certain Other Tax Considerations; Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double

taxation treaty or to any other exemption which may apply. Holders of Notes should consult with their tax advisors regarding the tax consequences if a Guarantor makes any payments with respect to the Notes.

Other French taxation issue relating to the Notes

A Non-French Resident Holder will not be subject to French income or withholding taxes in respect of gains realized on the sale, exchange or other disposition of Notes. Transfers of Notes outside of France will not be subject to any stamp duty or other transfer taxes imposed by France, except in the case of filing with the French tax authorities on a voluntary basis, or except to the extent that the FTT would become applicable. See "*Risk Factors—The liquidity of the market for the notes may be diminished if the proposed financial transactions tax or any similar tax were adopted*."

TRANSFER RESTRICTIONS

The Notes have not been and will not be registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to QIBs (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A and in offshore transactions in reliance on Regulation S. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

(1) in the United States, to "qualified institutional buyers", commonly referred to as "QIBs", as defined in Rule 144A in compliance with Rule 144A; and

(2) outside the United States, to non-U.S. Persons in offshore transactions in accordance with Regulation S.

The Issuer uses the terms "offshore transaction", "U.S. Person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of the Notes offered hereby will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) It understands and acknowledges that (i) the Notes have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A and, (ii) unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (5) and (7) below.

(2) It is neither the Issuer's "affiliate" (as defined in Rule 144), nor acting on its behalf and that either:

  (i) it is a QIB, within the meaning of Rule 144A, and is aware that any sale of these Notes to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another QIB; or

  (ii) it is purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) It understands and acknowledges that none of the Issuer or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. It has had access to such financial and other information concerning the Issuer and its subsidiaries and the Notes that it deems necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act, or in any transaction not subject to the Securities Act.

(5) It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes (in the case of Regulation S Notes, prior to the date (the "Resale Restriction Termination Date") that is after the later of the Issue Date and the last date on which such Notes (or any predecessor thereto) were first offered to persons other than distributors (as defined in Rule 902 under the

U.S. Securities Act)) only (i) to the Issuer; (ii) pursuant to a registration statement that has been declared effective under the Securities Act; (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S; or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) above to require the delivery of an opinion of counsel, certification and other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, IN THE CASE OF REGULATION S NOTES: PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS 40

DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S), ONLY (A) TO THE ISSUER OR THE GUARANTORS, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND OTHER INFORMATION SATISFACTORY TO EACH OF THEM

(7) It understands that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.

(8) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes.

(9) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(10) It acknowledges that the Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set out therein have been complied with.

(11) It acknowledges that the Issuer the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(12) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under “Plan of Distribution” and “Notice to Certain European Investors”.

Persons who come into possession of this Offering Memorandum are advised to inform themselves about and to observe any restrictions relating to the offering, the distribution of this Offering Memorandum and resale of the Notes. See “Important information for investors,” and “Plan of distribution.”

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Milbank LLP, London, England, as to matters of U.S. federal law and New York law, and Ashurst LLP, Paris, France, as to matters of French law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Latham & Watkins LLP, New York, New York, as to matters of U.S. federal law and New York law, and Latham & Watkins AARPI, Paris, France, as to matters of French law.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2020 included in this Offering Memorandum, have been audited by Deloitte & Associés and BM Audit and our consolidated financial statements as of December 31, 2019 and 2018 have been audited by Deloitte & Associés and Michel Tamet et Associés, independent auditors, as stated in their reports appearing herein. Our unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2021 have been reviewed by Deloitte & Associés and BM Audit, independent auditors, as stated in their report appearing herein.

SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

We are a *société anonyme*, organized under the laws of France with our registered office and principal place of business in France. The Indenture and the Notes will be governed by New York law. Most of our directors, officers and other executives are neither residents nor citizens of the United States (the "**French Individuals**"). Since most of our assets, directors and executive officers are located outside the United States, any judgment obtained in the United States against us, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be enforceable in the United States. Furthermore, although we will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws.

If a judgment is obtained in a U.S. court against us, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which the Issuer is located (other than the United States), you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere in the United States.

France

We are an entity organized under the laws of France with our registered office or principal place of business in France (the "**French Entity**"). Most of the directors, officers and other executives of the French Entity are neither residents nor citizens of the United States (the "**French Individuals**"). Furthermore, most of the assets of the French Entity and the French Individuals are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons and entity, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws within the United States. However, it may be possible for investors to effect service of process within France upon those persons or entity in civil and commercial matters, provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

The following is a summary of certain legal aspects of French law regarding the enforcement of civil law entitlements connected with the Notes against the French Entity and/or the French Individuals.

The French Entity has been advised by Ashurst LLP, their French counsel, that the United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws and which is enforceable in the United States, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunaux Judiciaires*) that has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper (i.e., *non ex parte*) proceedings if such U.S. Judgment is enforceable in the United States and if the French civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French civil court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having "indirect" jurisdiction over the matter as this concept is defined by French courts in the context of enforcement of foreign judgments, meaning that the dispute was clearly connected to the jurisdiction of such court (i.e., there was no international forum shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules (*ordre public international*), both pertaining to the merits and to the procedure of the case, including fundamental procedural rights;
- such U.S. judgment is not tainted with fraud under French law; and

- in addition, it is well established that only final and binding foreign judicial decisions (i.e., those having *a res judicata* effect) can benefit from *an exequatur* under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. The decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French criminal law No. 68-678 of July 26, 1968, as modified by French law No. 80- 538 of July 16, 1980 and French Ordinance No. 2000-916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as modified by French Ordinance No. 2011-1012 of August 24, 2011, by French law No. 2014-344 of March 17, 2014 and recently updated by Law No. 2018-493 of June 20, 2018 on the protection of personal data) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case by case basis by French courts) or in case of overriding mandatory rules. Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with a French person. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant. For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

It must be noted that under Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012, as regards legal actions falling within the scope of said Regulation, the privileges granted to French nationals pursuant to Articles 14 and 15 of the French Civil Code may not be invoked against a person domiciled in an EU Member State. Conversely, pursuant to Article 6.2 of Regulation (EU) No. 1215/2012, the privilege granted by Article 14 of the French Civil Code may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU. The French High Court (*Cour de cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary (*potestative*). Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

LISTING AND GENERAL INFORMATION

Listing

We will apply to list the Notes on the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market of the Luxembourg Stock Exchange, in accordance with the rules of that exchange. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation, which is expected to be the *Luxemburger Wort*, or posted on the official website of the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange require, copies of the following documents, including any future amendments, may be inspected and obtained at the specified office of the Luxembourg Listing Agent during normal business hours on any weekday:

- our organizational documents;
- our most recent audited consolidated financial statements and any interim quarterly financial statements we publish;
- this Offering Memorandum;
- the purchase agreement relating to the Notes; and
- the Indenture relating to the Notes, which includes the form of the Notes.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange require, copies of our articles of incorporation and bylaws, or other constitutional documents as applicable, will be available free of charge at the offices of the Luxembourg Listing Agent.

Our fiscal year ends December 31. Our most recent audited consolidated financial statements are available free of charge at the office of our Luxembourg Listing Agent. Our statutory auditors are Deloitte & Associés, whose registered office is at Immeuble Higashi, 106 cours Charlemagne, 69002 Lyon, and Michel Tamet et Associés, whose registered office is 7 allée de l'Informatique, 42000 Saint Etienne, France.

Clearing Information

We expect that the Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A will be accepted for clearance through the facilities of DTC.

The ISIN and Common Code, as applicable, for the Notes sold pursuant to Regulation S and Rule 144A under the U.S. Securities Act are set forth below:

Series	Regulation S Global Notes
Senior Notes due 2027	Common Code: 238820294 ISIN: USF85783AL60
Senior Notes due 2030	Common Code: 238820391 ISIN: USF85783AM44

Series	Rule 144A Global Notes
Senior Notes due 2027	Common Code: 238820278 ISIN: US7846ELAD98
Senior Notes due 2030	Common Code: 238820375 ISIN: US7846ELAE71

Description of the Issuer

SPCM SA (formerly S.P.C.M. SA) is a *société anonyme* organized under the laws of France. Its principal executive offices are located at Zac de Milieux, Rue Adrienne Bolland, 42163, Andrézieux, France, and it is registered with the *Registre du commerce et des sociétés* of Saint Etienne under number 312 327 737. Its legal entity identifier (LEI) is 969500F7036FEDYPRV54. Its main telephone number is +33 4 77 36 86 00. Its registered office is located at Zac de

Milieux, Rue Adrienne Bolland, 42163, Andrézieux, France. For information regarding our shareholders, please see "*Principal Shareholders*."

The creation and issuance of the Notes and the execution of the Indenture were authorized by a resolution of our board of directors dated September 9, 2021.

General

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the prospects and in our financial position since June 30, 2021, and neither SPCM SA nor any of its subsidiaries has been involved in any litigation, administrative proceedings or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes except as otherwise disclosed in the Offering Memorandum, and, so far as we are aware, no such litigation, administrative proceedings or arbitration is pending or threatened.

GLOSSARY OF SELECTED TERMS IN THE OFFERING MEMORANDUM

Below is a glossary of selected terms in the Offering Memorandum, which has been provided only to aid the reader and that does not purport to be complete in all material respects. For further descriptions of the terms used in this glossary, we refer you to "Business" and "Industry Overview."

Active equivalent PAM is produced in various physical forms to meet customer handling constraints. The active content (i.e., the amount of polymer active equivalent in the commercial product of PAM) varies from 95% (with the remainder being moisture) down to 2% for very diluted polymer solutions (with the remainder being water, oil, surfactant, etc.).

Acrylonitrile is a liquid used primarily in organic synthesis such as acrylamide production, and for polymerization for the production of fibers.

Activated carbon or **activated charcoal** is a general term which includes carbon material mostly derived from charcoal. It denotes a material which has an exceptionally high surface area, typically determined by nitrogen absorption, and includes a large amount of microporosity.

ADAME or **Acrylate of DimethylAMinoEthyl** is the reaction product of methyl acrylate with DMAE and an intermediate product for the production of ADAME MeCl, the monomer used for the production of cationic PAM.

ADAME Quat or ADAME MeCl or **ChloroMethyl ADAME** is the quaternization reaction product of ADAME and methyl chloride. It is a cationic monomer.

Allyl chloride is a chemical intermediate used in many applications such as DADMAC production. It is a highly versatile product due to its dual reactive sites at the double bond and the chlorine atom.

Amines are organic compounds and a type of functional group that contain nitrogen as the key atom. The amine group is found in DMA and DMAE.

Anionic flocculants are flocculants with a negative charge thanks to the incorporation of acrylic acid, or ATBS, along with acrylamide in the polymerization process.

Anti-foaming agents are additives that reduce the surface tension of a solution or emulsion. The additive is used to prevent formation of foam or is added to break a foam already formed.

Anti-odor agents are additives that reduce the odor of a solution or emulsion.

ATBS or **Acrylamido-Tertiary Butyl Sulphonic acid** is an anionic monomer used to bring salt and heat tolerance to polymers. Its main uses are for EOR, drilling, dispersants and textile applications.

Cationic flocculants are flocculants with a positive charge due to the incorporation of ADAME MeCl or MADAME MeCl along with acrylamide in the polymerization process.

Cationic Polyacrylamide, or **Cationic PAM**, is a positively charged polymer formed from acrylamide subunits which has been copolymerized with cationic monomers such as ADAME MeCl or MADAME MeCl.

Coagulants are inorganic or organic cationic chemicals. Inorganics are aluminum and ferric or ferrous salts. Organics are polyDADMACs, polyamines, dicyandiamide resins, melamine formaldehyde polycondensate, etc. They cause the agglomeration by destabilization of finely divided particles into larger particles in water treatment, dye fixation, clay inhibition, etc.

DADMAC or **DiAllylDiMethylAmmonium Chloride** is a cationic monomer made from DMA and allyl chloride for the production of polyDADMAC, an organic coagulant.

Dispersion is a physical form of PAM where the polymer is dispersed in hydrocarbon or a brine and stabilized as such by surfactants.

DMA or **DiMethylAmine** is an organic compound and an amine. It is a colorless, liquefied and flammable gas with an ammonia and fish-like odor. It is used for Mannichs, DADMAC monomer and polyamines production.

DMAE or **DiMethylAminoEthanol** is the amine used for the transesterification reaction involved in the production of ADAME.

Emulsion is a physical form of PAM similar to dispersion.

Enhanced Oil Recovery or **EOR** involves injecting viscous water that contains polymer into a reservoir, which causes the remaining oil to more easily move through the reservoir's porous rock and towards a well bore.

Enzymatic process is the biological process for the manufacture of acrylamide where an enzyme allows the bioconversion of the nitrile in acrylonitrile to be converted to amide in mild and clean conditions.

Epichlorhydrin is a cyclic ether used to react with DMA for the production of polyamines.

Flocculants are substances that facilitate the separation of suspended solids from water. They can be either anionic, non-ionic or cationic to interact with finely divided particles which may have been coagulated before. Thanks to their high molecular weight, they bridge the particle together, increasing their speed of settling.

Glacial acrylic acid is a colorless liquid with an acrid odor. It is an anionic monomer used for the production anionic PAM.

Heap leaching is an industrial mining process to extract precious metals and copper compounds from ore.

Leaching is a process in which a metallic compound is extracted from an ore by dissolving it in a suitable solvent.

MADAME, or **MethAcrylate of DimethylAMinoEthyl**, is the same as ADAME, but with a "meth" group to improve resistance to hydrolysis and some specific performances in specialty applications.

MADAME MeCl or **ChloroMethyl MADAME** is the quaternization reaction product of MADAME and methyl chloride. It is a cationic monomer.

Mannich reaction is the chemical reaction of DMA and formaldehyde on PAM to create a cationic flocculant for water treatment.

Methyl acrylate is a clear, colorless liquid chemical with a sweet, fruity odor. It is the shortest ester of acrylic acid. Methyl Acrylate is used in the manufacturing of ADAME, leather finishing, resins, textile, paper coatings, and plastic films.

Methyl chloride is a chemical used to quaternize ADAME to ADAME MeCl and MADAME to MADAME MeCl. It is a highly reactive pressurized gas.

Monomers are chemicals involved in polymerization as the main building block. A monomer may be repeated several times in a polymer and can be blended with other monomers to form copolymers, terpolymers, etc. The typical number of repeating units in a polymer varies from 10 for dispersants, to 1,000 for coagulants and up to 500,000 for flocculants.

Municipal and industrial effluent is discharged waste water that is treated to concentrate the solids portion of water. Municipal effluent carries principally human waste, together with some amounts of contaminants from businesses, light industry and ground runoff via storm sewers, and is largely organic in matter. Industrial effluent is generated from specific manufacturing point sources and its matter varies with the particular industry.

Non-ionic flocculants are flocculants with a neutral charge since only constituted of acrylamide repeating units.

Polyacrylamide, or **PAM**, is a polymer formed from acrylamide subunits which may be copolymerized with other monomers to be anionic or cationic. They are mostly water soluble polymers and may be applied in any applications using water. The chain length can vary from short (1,000 $g.mol^{-1}$) to very long (30 million $g.mol^{-1}$).

Polyamine is an organic coagulant made from epichlorhydrin and DMA, used in rubber coagulation, water treatment, paper, construction, etc.

PolyDADMAC, or **Poly-DiAllylDiMethylAmmonium Chloride**, is an organic coagulant made from DADMAC, used in water treatment, dye fixation, home and personal care, etc.

Polymer is a long molecule consisting of monomeric structural units and repeating units connected by covalent chemical bonds.

Polymerization process, or **polymer production**, is a process involving assembling monomers together to form a polymer.

Powders are a form of PAM where the PAM is a solid particle from 40 nanometers up to several millimeters.

Quat ammonium polymers are a kind of cationic water-soluble polymer used, notably, in water treatment.

Reagents are any substance used in a chemical reaction. They usually imply a chemical that is added in order to react with another chemical to lead to a chemical reaction.

Sludge dewatering is a process that separates the liquid and solid portions of sludge.

Structural units are the building block of a polymer chain. The structural unit or repeating unit is provided by the monomer.

Viscosity modifiers alter the viscous properties of a fluid, in general to increase the viscosity.

Xanthan gum is a high-molecular-weight polysaccharide which is now produced from corn starch. It is used as a rheology control agent in aqueous systems and as a stabilizer for emulsions and suspensions. In oil field applications it is used as a viscosifier for drilling fluids and also for completion and fracturing. It is also used in processed foods and pharmaceutical and personal care products.

Xanthate is a mining reagent used in the flotation process. It is the reaction product of an alcohol with carbon disulfide in presence of caustic soda or potash to form an organosulfur compound widely used as a collector in the froth flotation of certain metals.

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SPCM SA

Société anonyme

ZAC de Milieux

42160 ANDREZIEUX BOUTHEON

Statutory auditors' review report on the condensed half-yearly consolidated financial statements

For the period January 1 to June 30, 2021

This is a translation into English of the statutory auditors' review report on the condensed half-year consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

BM Audit

7 allée de l'Informatique
42000 SAINT-ETIENNE

S.A.S. au capital de 1 000 €

850 489 071 RCS Saint-Etienne

Deloitte & Associés

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69002 LYON

S.A.S. au capital de 2 188 160 €

572 028 041 RCS Nanterre

SPCM SA

Société anonyme

ZAC de Milieux

42160 ANDREZIEUX BOUTHEON

Statutory auditors' review report on the condensed half-yearly consolidated financial statements

For the period January 1 to June 30, 2021

To the Chairman of the Board of Directors and Chief Executive Officer,

As statutory auditors of SPCM SA (the "Company") and pursuant to your request (i) in connection with senior revolving facility agreement dated July 31, 2015 and modified by amendments dated June 22, 2018 and December 13, 2019, and financing facility agreement dated October 3, 2018 modified by amendment dated October 14, 2019 and/or (ii) for the purposes of the offering memorandum prepared by the Company in the context of a potential international offering of notes to be issued by the Company, we have reviewed the accompanying condensed half-yearly consolidated financial statements of SPCM SA for the period January 1 to June 30, 2021.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our review procedures.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France and the professional guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. A review primarily consists of making inquiries of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Those procedures are substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently the assurance obtained that the condensed half-yearly consolidated financial statements, taken as a whole, are free of material misstatement is moderate and less than that obtained by an audit.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRS as adopted by the European Union applicable to interim financial information.

This report was prepared for your attention in the context described above and must not be used, distributed or referred to for any other purpose.

This report is governed by French law. The Courts in France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Saint-Etienne and Lyon, August 27, 2021

The statutory auditors

French original signed by

BM AUDIT	**DELOITTE & ASSOCIES**
Emilie VIRICELLE	Guillaume VILLARD

Summary consolidated financial statements for the six months ended 30 June 2021

CONSOLIDATED INCOME STATEMENT
H1 2021 vs H1 2020 vs FY 2020

In € thousands	Notes	30/06/2021 6 months	30/06/2020 6 months	31/12/2020 12 months
Revenue	**4.1**	1,676,275	1,573,017	2,982,121
Cost of sales	**4.2**	(1,047,429)	(931,301)	(1,791,121)
GROSS PROFIT		**628,846**	**641,716**	**1,191,000**
Manufacturing costs	**4.2**	(317,845)	(302,143)	(593,020)
Marketing costs	**4.2**	(68,102)	(64,308)	(133,355)
Research and development expenditure	**4.2**	(25,646)	(25,927)	(52,088)
Administrative expenses	**4.2**	(41,018)	(43,776)	(78,347)
RECURRING OPERATING INCOME		**176,235**	**205,562**	**334,191**
Non-recurring operating income/(expenses)	**4.4**	(14,945)	(21,618)	(66,083)
OPERATING INCOME		**161 290**	**183 944**	**268 108**
Financial income/(expenses)	**4.3**	(604)	(47,481)	(86,553)
INCOME BEFORE TAX		**160,686**	**136,463**	**181,556**
Income tax	**4.5**	(32,704)	(32,651)	(43,046)
Share in earnings of associates		3,167	96	698
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**131,148**	**103,909**	**139,208**
Profit/(loss) from discontinued operations		0	0	0
NET INCOME		**131,148**	**103,909**	**139,208**
Share of non-controlling interests		(1,505)	(3,511)	(6,156)
NET INCOME ATTRIBUTABLE TO THE GROUP		**129,643**	**100,398**	**133,051**
Basic earnings per share		28.50	22.07	29.25
Diluted earnings per share		28.50	22.07	29.25

Notes 1 to 8 form an integral part of the summary interim consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
H1 2021 vs H1 2020 vs FY 2020

In € thousands	Notes	30/06/2021 6 months	30/06/2020 6 months	31/12/2020 12 months
Consolidated net income		**129,643**	**100,399**	**139,208**
Hedging instruments		0	0	0
Currency translation adjustments		59,406	(35,174)	(121,198)
Taxation		0	0	0
Items subsequently posted to profit or loss		**59,406**	**(35,174)**	**(121,198)**
Actuarial gains/(losses)		10,726	(9,486)	(6,662)
Taxation		(2,401)	2,465	(9,566)
Items not posted to profit or loss		**8,324**	**(7,021)**	**(16,228)**
Total income and expenses directly recognised in equity		**67,731**	**(42,195)**	**(137,425)**
Comprehensive income for the period		**197,374**	**58,204**	**1,782**
Attributable to owners of the parent		195,125	55,086	(3,600)
Attributable to non-controlling interests		2,249	3,119	5,382

Notes 1 to 8 form an integral part of the summary interim consolidated financial statements.

CONSOLIDATED BALANCE SHEET
30 June 2021 vs 31 December 2020

ASSETS

In € thousands	Notes	30/06/2021	31/12/2020
Goodwill	**5.1**	73,607	71,858
Other intangible assets	**5.1**	72,300	60,461
Right-of-use lease assets		36,390	40,325
Property, plant and equipment	**5.2**	2,029,489	1,949,223
Investments in associates	**5.3**	6,960	5,859
Financial assets	**5.3**	51,045	39,065
Other non-current financial assets		7,661	7,449
Deferred tax		821	873
Other non-current assets		9,721	8,785
NON-CURRENT ASSETS		**2,287,995**	**2,183,899**
Inventories and work in progress		660,322	503,233
Trade receivables and other assets relating to contracts with customers	**5.4**	655,593	511,975
Other current receivables		140,791	105,386
Current tax		50,570	47,496
Current financial assets		14,096	12,011
Cash management financial assets	**5.5**	63,869	56,488
Cash and cash equivalents	**5.5**	225,464	382,604
CURRENT ASSETS		**1,810,705**	**1,619,193**
TOTAL ASSETS		**4,098,700**	**3,803,092**

Notes 1 to 8 form an integral part of the summary interim consolidated financial statements.

EQUITY AND LIABILITIES

In € thousands	Notes	30/06/2021	31/12/2020
Share capital	**5.6**	50,039	50,039
Retained earnings and reserves		1,553,194	1,353,327
Net income for the period		129,644	133,051
EQUITY ATTRIBUTABLE TO THE GROUP		**1,732,877**	**1,536,417**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**34,072**	**32,364**
TOTAL SHAREHOLDERS' EQUITY		**1,766,949**	**1,568,781**
Deferred tax	**5.7**	146,772	137,884
Non-current provisions	**5.7**	44,096	53,993
Non-current borrowings	**5.8**	1,305,549	1,406,479
Non-current lease liabilities	**5.8**	28,771	31,571
Other non-current liabilities		22,581	20,920
NON-CURRENT LIABILITIES		**1,547,769**	**1,650,846**
Current provisions	**5.7**	2,014	2,310
Current borrowings	**5.8**	140,527	84,200
Current lease liabilities	**5.8**	9,472	10,541
Trade payables		445,370	313,962
Other current liabilities		169,195	160,101
Current tax		17,405	12,351
CURRENT LIABILITIES		**783,983**	**583,464**
TOTAL EQUITY AND LIABILITIES		**4,098,700**	**3,803,092**

Notes 1 to 8 form an integral part of the summary interim consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
H1 2021 vs H1 2020 vs FY 2020

In € thousands	Notes	30/06/2021 6 months	30/06/2020 6 months	31/12/2020 12 months
NET INCOME ATTRIBUTABLE TO SPCM S.A.		**129,643**	**100,397**	**133,051**
Depreciation, amortisation and provisions		106,675	106,592	217,101
Reversals of depreciation, amortisation and provisions		(12,985)	(3,932)	(10,982)
Grants transferred to net income		(30)	(30)	(60)
Undistributed earnings of associates		(3,167)	(96)	(698)
Gains/(losses) from asset disposals		12,149	1,676	2,218
Other items		(6,475)	2,913	847
Income attributable to minority interests		1,505	3,511	6,156
Income tax charge (current and deferred)		32,706	32,651	43,047
Gross interest expense		9,154	46,961	87,452
FREE CASH FLOW		**269,175**	**290,641**	**478,133**
Change in inventories and work in progress		(142,208)	(2,640)	46,151
Change in trade receivables		(157,044)	73,993	23,198
Change in trade payables		122,784	(67,159)	(26,501)
Change in other payables and receivables		1,866	25	(142)
Tax paid		(27,370)	(25,455)	(58,838)
Interest paid		(21,793)	(24,835)	(42,898)
NET CASH FROM OPERATING ACTIVITIES		**45,409**	**244,571**	**419,103**
Inflows from fixed asset disposals		1,076	532	4,890
Investments in intangible assets		(15,523)	(5,349)	(9,806)
Investments in property, plant and equipment		(122,660)	(155,901)	(272,279)
Financial investments		(5,018)	(2,921)	(1,506)
Acquisition of subsidiaries, net of cash acquired		(8,618)	(2,231)	(7,793)
Repayments of non-current financial assets		5,677	3,764	5,065
NET CASH FROM INVESTING ACTIVITIES		**(145,066)**	**(162,106)**	**(281,430)**
Change in borrowings		(55,611)	149,837	73,385
Share capital increases/(reductions)		0	0	0
Dividends paid (including to minority interests)		(1,020)	(1,018)	(1,072)
NET CASH FROM FINANCING ACTIVITIES		**(56,631)**	**148,819**	**72,312**
Effect of changes in exchange rates		6,304	(7,032)	(11,414)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(149,985)**	**224,252**	**198,571**
Opening cash and cash equivalents	**5.5**	439,092	240,579	240,579
Opening bank overdrafts		(24)	(82)	(82)
Closing cash and cash equivalents		289,333	464,789	439,092
Closing bank overdrafts	**5.5**	(250)	(41)	(24)

Notes 1 to 8 form an integral part of the summary interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousands	Share capital	Retained earnings and reserves	Currency translation adjustment	Equity attributa the Group
AT 1 JANUARY 2020	**50,039**	**1,386,322**	**100,755**	**1,**
Net income for the period		100,399		
Gains and losses recognised in equity		(10,139)	(35,174)	
Comprehensive income for the period	**0**	**90,260**	**(35,174)**	
Distribution of dividends		0	0	
Changes in consolidation scope		0	0	
Other changes		5,266	(96)	
AT 30 JUNE 2020	**50,039**	**1,481,847**	**65,485**	**1,**
Net income for the period		32,653		
Gains and losses recognised in equity		(6,089)	(85,250)	
Comprehensive income for the period	**0**	**26,564**	**(85,250)**	**(**
Distribution of dividends		(1,072)		
Changes in consolidation scope		(2,430)	(92)	
Other changes		1,230	96	
AT 31 DECEMBER 2020	**50,039**	**1,506,139**	**(19,761)**	**1,**
Net income for the period		129,643		
Gains and losses recognised in equity		8,324	58,662	
Comprehensive income for the period	**0**	**137,968**	**58,662**	
Distribution of dividends		(1,020)	0	
Share capital increase		0	0	
Changes in consolidation scope		3,985	(2,586)	
Other changes		(557)	9	
AT 30 JUNE 2021	**50,039**	**1,646,515**	**36,324**	**1,**

Notes to the summary interim consolidated financial statements

SPCM is a French public limited company (*société anonyme*) registered at ZAC de Milieu, Andrézieux-Bouthéon (Loire), France.

The Group designs, manufactures and sells a range of chemical products. These products are mainly used for water treatment in urban and industrial areas, mining, textile manufacture and enhanced oil recovery (EOR), but also have applications in the farming and paper industries. More recently, our technology has been adopted in the fields of EOR and hydraulic fracturing.

These notes form an integral part of the summary interim consolidated financial statements for the six months ended 30 June 2021.

The H1 2021 summary consolidated financial statements were approved by the SPCM SA Board of Directors on 25 August 2021.

All figures provided below are in euro thousands unless otherwise specified.

1. Note 1 - Highlights of the period

The following factors affected the summary interim consolidated financial statements for the six months ended 30 June 2021:

- **COVID-19:** The COVID-19 pandemic continued to spread throughout the world during the first half of 2021 and the emergence of more infectious variants led to further lockdowns in several countries. Despite these developments, however, the late 2020 economic recovery continued and the Group successfully leveraged the sharp rise in demand.
  On the other hand, rising commodity prices (mainly propylene) impacted the gross margin, which fell from 40.80% in H1 2020 to 37.51% in H1 2021.
  €0.8 million of COVID-related costs were recorded under non-recurring expenses. The Group did not defer any of its debt or tax payments.

- **H1 2021 business activity:** Business picked up and revenue increased 6.6% versus H1 2020.

- **H1 2021 capital expenditure:** First half capital expenditure amounted to €131 million (€154 million in H1 2020). The bulk of the investments concern the following countries: United States, France, China and India.

- **Acquisition of equity interests:** There was no significant financial investment in H1 2021.

- **Borrowings**: Gross borrowings at 30 June 2021 amounted to €1,484 million, down €135 million from €1,619 million at 30 June 2020 and down €49 million from €1,533 million at 31 December 2020, mainly due to the May 2021 €50 million repayment under the bilateral credit facility.
  Cash and cash equivalents stood at €289 million, down from €439 million at 31 December 2020 and €465 million at 30 June 2020.
  Net borrowings did not increase as a result of the COVID-19 crisis.

- **Disputes:**

  Patents: There are currently no pending patent disputes given that the US dispute was settled during H2 2020.

  Other:
  A dispute with a customer regarding an oil project began in March 2020. As the Group expects to recover the net assets recorded on the balance sheet in relation to this project in the short term, no provision has been recorded.

2. Accounting policies

The accounting policies applied in the preparation of the summary interim consolidated financial statements comply with IFRS standards and interpretations as adopted by the European Union as at 1 January 2021, which may be consulted on the following website: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr.

These half-year consolidated financial statements have been drawn up in compliance with IAS 34 – Interim financial reporting. Summary financial statements do not contain all disclosures required under IFRS and should be read in conjunction with the SPCM Group consolidated financial statements for the year ended 31 December 2020.

The accounting policies and measurement principles applied in the preparation of the H1 2021 summary consolidated financial statements are identical to those applied to the consolidated financial statements for the year ended 31 December 2020, except for the accounting changes related to new standards, amendments and interpretations applicable from 1 January 2021.

New standards, amendments and interpretations adopted by the European Union and applicable from 1 January 2021 mainly comprise interest rate benchmark reform amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

These amendments did not have an impact on the Group's H1 2021 financial statements or are not applicable.

The following standards and amendments published by the IASB or IFRS IC are not mandatory for financial years beginning on or after 1 January 2021 and were not applied by the Group:

- Amendments to IAS 1: Classification of liabilities as current or non-current;
- Amendments to IAS 1: Disclosure of accounting policies;
- Amendments to IAS 8: Definition of accounting estimates;
- Amendments to IAS 12 "Income taxes": Recognition of deferred tax assets for unrealised losses;
- Amendments to IAS 16: Property, plant and equipment – proceeds before intended use;
- Amendments to IAS 37: Onerous contracts – cost of fulfilling a contract;
- Amendments to IFRS 3: Reference to the conceptual framework;
- Amendments to IFRS 16: COVID-19-related rent concessions beyond 30 June 2021;
- IFRS 17 "Insurance contracts";
- Conceptual framework: amendments to references to the conceptual framework.

The Group does not expect the application of the foregoing amendments and standard to have a material impact.

The information set out in the notes solely concerns material items, transactions and events that help understand developments in the Group's financial position and performance.

2.1. Management estimates and judgements

The preparation of financial statements requires estimates, judgements and assumptions to be made, which affect the application of accounting methods as well as the figures shown in the financial statements.
In preparing the summary interim consolidated financial statements, management made estimates, judgements and assumptions in areas comparable to those applicable to the preparation of the consolidated financial statements for the year ended 31 December 2020, as described in Note 2.2.
No significant change occurred in H1 2021, except for the uncertainty surrounding forecasts related to COVID-19.

2.2. Consolidation method

The consolidation principles applied to the first half 2021 financial statements are the same as those used for the 2020 annual financial statements.

Intragroup balances, transactions, income and expenses are eliminated in full.

2.3. Seasonal factors

The Group's operations are not affected by any major seasonal fluctuations between quarters that can be identified on a regular basis.

2.4. Non-current assets

In application of rules concerning the definition, recognition and measurement of assets, the company decided to apply the rules relating to major items of property, plant and equipment.

Major items of property, plant and equipment that are replaced at regular intervals, used for different purposes or that generate economic benefits over different periods and require the application of specific depreciation rates or methods, are recognised separately upon initial recognition and when replaced.

2.5. Impairment testing

Impairment tests are carried out at the annual balance sheet date or where any indication of impairment is detected, in accordance with the procedure set out in Note 4.3 to the 2020 consolidated financial statements.

In view of the Group's strong resistance to crises, the excellent first half results and the fact that we identified no reasonably possible variations in assumptions that would have led us to recognise impairment, the Group did not consider it useful to carry out an impairment test at 30 June 2021. An impairment test will be carried out at the end of the year.

2.6. Financial assets

The rules for recording financial assets in accordance with their categories as defined under IFRS are outlined in Note 4.4.1 to the 2020 financial statements.

2.7. Non-recurring income and expenses

This item includes significant events that took place during the period and which by nature misrepresent the company's performance.

Non-recurring income and expenses generally relate to material, extraordinary, unusual or infrequent transactions. These are detailed in Note 4.4 "Non-recurring operating income and expenses".

2.8. Trade receivables

The analysis did not show an increase in customer risk in terms of recorded or expected losses. The SPCM Group did not record any significant increase in payment delays, extension requests or payment default as a result of the COVID-19 crisis. Where they occur, delays are more representative of a "technical" delay rather than a crisis situation. As a result, the impairment model and measurement procedures for trade receivables were not modified at 30 June 2021.

2.9. Provisions

Post-employment benefits:

The method used for calculating post-employment benefits is outlined in Note 4.11 to the 2020 financial statements.

No change in retirement plans took place during H1 2021.

The actuarial assumptions from 31 December 2020 were maintained, with the exception of the discount rates for France and the USA, which were modified as at 30 June 2021 in light of the significant change recorded during H1 2021 (see Note 5.7). The resulting actuarial differences were recorded under other comprehensive income in accordance with the standard.

Provisions for contingencies and charges:

Provisions for contingencies and charges have been fully recognised in the H1 2021 financial statements if a triggering event has occurred, as defined in Note 4.10 to the 2020 consolidated financial statements.

2.10. Tax

Current tax

The income tax charge for the first half of 2021 has been calculated by applying an estimated tax rate, calculated on an annual basis, to income before tax. This estimate takes into account the use of tax losses brought forward. The calculation makes allowance for different tax rates applicable to the various income categories (standard rate, reduced rate, etc.).
Research tax credits are deducted from operating expenses.

The regional economic contribution tax or CET (*contribution economique territoriale*) is comprised of two different levies - one assessed on business property (*contribution foncière des entreprises* or CFE) and the other on added value (*cotisation sur la valeur ajoutée des entreprises* or CVAE). This latter contribution is assessed on the basis of added value generated by the company over the year. Le

The Group has decided that CVAE meets the definition of income tax in line with the rules and methods applied by the Group in the past.

Deferred tax

At 30 June 2021, the Group applied the criteria for recognising deferred tax in respect of tax loss carryforwards set out in Note 8.7 to the 2020 consolidated financial statements.

Pending confirmation by the IFRS IC, the SPCM Group decided to record deferred tax on the restatement of leases (except where there was no material impact).

2.11. Factoring

No changes have been made to the accounting treatment of factoring as set out in Note 4.7 to the 2020 consolidated financial statements. At 30 June 2021, total receivables transferred amounted to €88.7 million.

3. Consolidated companies

IFRS 10 "Consolidated financial statements" defines the concept of control over an entity based on three criteria:

- control over the entity, i.e. the power to direct operations having the most significant impact on profitability;
- exposure to the entity's fluctuations in earnings, which may be positive and reflected by dividends or any other economic benefits, or negative;
- a link between said power and said earnings, i.e. the right to exercise power over the entity in order to influence the earnings achieved.

In practice, companies in which the Group directly or indirectly holds a majority of voting rights in general meetings, Board of Directors meetings or equivalent meetings of management bodies and as such are entitled to determine their operating and financial policies, are generally considered to be controlled and are consolidated under the full consolidation method. In assessing whether control exists, the SPCM Group thoroughly analyses the corporate governance arrangements and voting rights held by other shareholders to determine the extent to which they are merely protective.

IFRS 12 "Disclosures of interests in other entities" sets out the disclosures to be made in the annual financial statements regarding interests in subsidiaries, joint arrangements, associates and unconsolidated legal entities.

The Group presented this information in the 2020 financial statements (see Note 6.4).

The consolidation scope is referred to in Note 6.2 to the 2020 consolidated financial statements. In the first half of 2021, the consolidation scope changed following the liquidation of the China-based entity (Qingdao) Chemical SA.

In 2020, the consolidation scope changed with the inclusion of Flocryl SAS, a French company that is managing the construction of the Dunkirk facility.

4. Half-yearly income statement

4.1. Revenue

By type

In € thousands	30/06/2021 6 months	30/06/2020 6 months	31/12/2020 12 months
Sales	1,637,927	1,532,118	2,907,354
Services	38,349	40,899	74,767
TOTAL	**1,676,275**	**1,573,017**	**2,982,121**

By region

In € thousands	30/06/2021 6 months	30/06/2020 6 months	31/12/2020 12 months
EMEA	437,144	451,456	842,512
North America	596,119	591,454	1,060,825
Latin America	131,096	124,268	233,205
Asia Pacific	511,917	405,838	845,578
TOTAL	**1,676,275**	**1,573,017**	**2,982,121**

4.2. Recurring operating expenses

In € thousands	30/06/2021 6 months	30/06/2020 6 months	31/12/2020 12 months
Cost of sales	**(1,365,274)**	**(1,233,444)**	**(2,384,141)**
Selling expenses	*(68,102)*	*(64,308)*	*(133,355)*
Research and development expenditure	*(25,646)*	*(25,927)*	*(52,088)*
Administrative expenses	*(41,018)*	*(43,776)*	*(78,347)*
General and administrative expenses	**(134,766)**	**(134,011)**	**(263 790)**
TOTAL (1)	**(1,500,040)**	**(1,367,455)**	**(2,647,930)**
(1) including amortisation and impairment	(105,253)	(106,306)	(217,710)

4.3. Net financial income/(expense)

In € thousands	30/06/2021 6 months	30/06/2020 6 months	31/12/2020 12 months
Gross interest expense	(23,428)	(31,124)	(91,894)
Income from cash and cash equivalents	40	137	196
Other financial income and expenses	17,769	7,357	17,212
Currency gains/(losses)	4,243	(22,698)	(10,243)
Current account loan waiver	0	0	0
Reversals of/(additions to) amortisation and provisions	771	(1,152)	(1,824)
Net financial income/(expense)	**(604)**	**(47,480)**	**(86,553)**

The reduction in interest expense versus 2020 is mainly due to bond restructuring. Gross interest expense in 2020 included €35.1 million amortisation of costs relating to the previous high yield bond.
Foreign exchange gains and losses relating to transactions in foreign currencies are recognised under operating margin. Translation differences relating to financing activities are recognised under financial income and expense.

H1 2021 other financial income and expenses mainly consisted of:

- €2.9 million income from investments in and loans to non-consolidated entities;
- €7.4 million increase in the fair value of investment securities;
- €6.5 million increase in the fair value of non-consolidated investments.

2020 other financial income and expenses mainly consisted of:

- capitalised interest of €5 million;
- €2.1 million income from investments in and loans to non-consolidated entities;
- an €11.6 million increase in the fair value of investment securities.

4.4. Non-recurring operating income and expenses

In H1 2021, this item consisted mainly of:

- €4.5 million litigation-related expenses;
- €7.6 million non-recurring costs related to Winter Storm Uri in the USA;
- €0.8 million costs incurred due to the COVID-19 epidemic.

In H1 2020, this item consisted mainly of:

- €1.4 million litigation-related expenses;
- €11.4 million costs related to the restructuring of the oil and gas business in the United States;
- €2.2 million charges related to inventory revaluation in France;
- €4.5 million costs incurred due to the COVID-19 epidemic.

In full-year 2020, this item consisted mainly of:

- €2.9 million litigation-related expenses;
- €57.4 million restructuring costs;
- the cost of employee litigation in the United States (€1.2 million), France (€1.6 million) and exceptional logistic costs in France (€0.8 million);
- expenses related to inventory discrepancies identified in France (€2.5 million).

4.5. Tax

In € thousands	30/06/2021 6 months	30/06/2020 6 months	31/12/2020 12 months
Current income tax	(29,655)	(29,561)	(39,790)
Net deferred tax	(3,049)	(3,090)	(3,570)
Income tax	**(32,704)**	**(32,651)**	**(43,360)**
Including non-recurring tax effects	0		0
Total excluding non-recurring tax effects	**(32,704)**	**(32,651)**	**(43,360)**

The current tax charge mainly consists of tax expenses incurred by the French, US, Korean, Indian, Chinese and Japanese subsidiaries.

The Group effective tax rate for H1 2021 is 20.35%. The variance between the effective rate and 28.47%, the standard French tax rate, is analysed in the following table:

In € thousands	30/06/2021 6 months	30/06/2020 6 months	31/12/2020 12 months
Normal tax rate	**28.41%**	**32.02%**	**32.02%**
Consolidated book income before tax	160,689	136,465	181,556
Theoretical tax expense at applicable rates	(45,648)	(43,700)	(58,140)
Effective tax expense	(32,704)	(32,651)	(43,360)
Variance between effective and theoretical tax expense	**12,944**	**11,049**	**14,780**
Impact of permanent differences	215	(2,338)	8,759
Impact of differences in tax rates	(11,457)	17,451	(28,117)
Impact of tax losses and tax credits	638	(2,723)	8,426
Impact of specific taxes and other items	(2,340)	(1,341)	(3,848)
Total	**(12,944)**	**11,049**	**(14,780)**
Effective tax rate	**20.35%**	**23.93%**	**23.88%**

5. Consolidated balance sheet

5.1. Goodwill and intangible assets

In € thousands	Gross	Amortisation and impairment	Net
Amount at 31 December 2020	**244,272**	**(111,953)**	**132,320**
Changes in consolidation scope		0	0
Acquisitions/(net charges)	14,246	(5,094)	9,152
(Disposals)/eliminated on disposal	(1,559)	371	(1,187)
Currency translation adjustments	4,518	(1,102)	3,416
Other changes	2,207	(1)	2,207
Amount at 30 June 2021	**263,685**	**(117,778)**	**145,907**

Acquisitions during the period mainly correspond to the capitalisation of development and engineering costs (€6.4 million) and the acquisition of patents and software (€7.1 million).

In the absence of any evidence of impairment (Note 2.5), no impairment testing was carried out at 30 June 2021 and no impairment was recognised for the periods presented.

5.2. Property, plant and equipment

In € thousands	Gross	Depreciation and impairment	Net
Amount at 31 December 2020	**3,210,507**	**(1,220,958)**	**1,989,549**
Changes in consolidation scope	0	0	0
Acquisitions/(net charges)	130,594	(99,214)	31,380
(Disposals)/eliminated on disposal	(18,364)	11,768	(6,597)
Currency translation adjustments	83,489	(28,497)	54,992
Other changes	(5,361)	1,916	(3,445)
Amount at 30 June 2021	**3,400,864**	**(1,334,985)**	**2,065,879**

The principal investments made during the first half related to the development of plant and equipment in order to increase production capacities, including:

- €57 million in the USA;
- €12 million in Asia;
- €47 million in Europe.

No impairment was recognised for the periods presented.

5.3. Financial assets

Financial assets include non-current financial assets (mainly non-consolidated investments for which the financial aggregates are below the consolidation threshold applied by the Group), while current assets represent operating receivables, debt securities or investment securities.

There are no investments held to maturity.

Financial assets are stated according to their classification under IFRS 9, depending on how they are managed, as presented below:

- financial assets stated at fair value through profit or loss (FVTPL): the analysis results in non-consolidated investments and cash investments being assigned to this item;

- financial assets measured at fair value through other comprehensive income (FVOCI): no financial asset falls under this definition for the periods presented;

- financial assets measured at amortised cost (AC): according to the analysis, other non-current financial assets (deposits and guarantees, material loans, etc.), trade receivables and current financial assets other than cash and cash equivalents are assigned to this item.

There are no other material financial assets with a significant financing component.

5.4. Trade receivables

In € thousands	30/06/2021	31/12/2020
Trade receivables	669,458	527,409
Impairment	(13,864)	(15,434)
Total	**655,593**	**511,975**

The business recovery generated a substantial increase in trade receivables, up €144 million versus 31 December 2020.

Credit risk related to potential customer default or insolvency may prevent the Group from recovering amounts invested and impact earnings accordingly.
The financial position of customers is reviewed periodically and provisions are recorded for any bad debt risks in view of the age of the receivables and the customer's financial situation. During the year, the Group did not experience any significant difficulties with respect to the collection of trade receivables.

5.5. Cash and cash equivalents

In € thousands	30/06/2021	31/12/2020
Marketable securities	389	388
Cash at bank	225,464	382,604
Cash and cash equivalents	**225,853**	**382,992**
Cash management financial assets - listed securities (*)	63,480	56,100
Net cash managed	**289,333**	**439,092**

(*) Investments with a management term that does not meet IAS 7 criteria for classification as cash equivalents

The securities of listed companies and marketable securities consist mainly of short-term investment securities carried at market price at 30 June for the period in question.

The decrease in net cash over the period is mainly due to the increase in working capital requirements triggered by the strong recovery in business.

The Group has an unused €375 million credit facility giving it €664 million of total available cash at 30 June 2021 (€800 million at 31 December 2020).

5.6. Equity

At 30 June 2021, the share capital amounted to €50.04 million divided into 4,549,000 shares with a par value of €11.

SPCM paid a dividend of €0.22 per share for the 2020 financial year (28 June 2021 AGM) resulting in a total dividend payout of €1 million.

5.7. Provisions

	30/06/2021		31/12/2020	
In € thousands	**Non-current**	**Current**	**Non-current**	**Current**
Pension and similar liabilities	42,083	906	52,119	1,077
Lawsuit contingency provisions	0	718	0	718
Other contingencies	808	350	773	476
Restructuring	0	0	0	0
Provisions for subsidiary customer risks	17	40	0	40
Tax risks	1,188	0	1,100	0
Total	**44,096**	**2,014**	**53,993**	**2,310**

Provisions for pensions and similar liabilities were reduced by €10.2 million at 30 June 2021, mainly due to the increase in discount rates for France and the USA.

	30 June 2021	31 December 2020
France	0.79% to 1.13%	0.34% to 0.57%
USA	2.86%	2.60%

5.8. Net borrowings

Net borrowings include all current and non-current borrowings less cash and cash equivalents and readily transferable derivatives related to Group financing with maturities of less than one year.

	30/06/2021		31/12/2020	
In € thousands	**Non-current**	**Current**	**Non-current**	**Current**
Bonds	1,102,202		1,086,876	
Bank borrowings	198,331	138,498	315,168	82,060
Lease liabilities	28,770	9,472	31,571	10,541
Other borrowings	5,017	1,369	3,972	1,512
Employee profit-sharing	0	660	463	628
Borrowings	**1,334,320**	**149,999**	**1,438,050**	**94,741**
GROSS BORROWINGS	**1,484,319**		**1,532,791**	
Gross cash and cash equivalents	(289,333)		(439,092)	
NET BORROWINGS	**1,194,986**		**1,093,699**	

5.8.1. Bonds

In September 2020, the Group restructured its debt in order to benefit from favourable market conditions and extend its debt maturity.

On 15 September 2020 the €550 million high yield bond placement carried out in 22 April 2015 was restructured into two branches as follows

	High yield 2015	High yield 2020	High yield 2020
Par value (€m)	550	350	350
Maturity	2023	2026	2029
Coupon	2.875%	2%	2.625%

As at 30 June 2021, bond debt is recognised at amortised cost on the basis of the original effective interest rate determined after inclusion of issue costs.

5.8.2. Other borrowings

SPCM currently has a renewable credit facility of €350 million initially maturing in July 2020. In an amendment to the agreement dated 31 July 2015, by way of a supplemental agreement signed on 22 June 2018, the final maturity date was extended to 31 July 2023 with two extension options of one year each, upon expiry of the first two one-year periods. The two extension options provided for by clause 4.6 of the agreement were granted in July 2019 and July 2020, pushing back the final maturity date to 31 July 2025.

At 30 June 2021, €0 million had been drawn down (€0 million at 31 December 2020).

The continued availability of the revolving credit facility is subject to SPCM's compliance with financial ratios, which are tested every 12 months at the end of the first half, or at the closing date of the financial year in question.

For each ratio test period applicable to its financing covenants, the Group undertakes to maintain:

- a debt ratio at or below 4.00;
- an interest coverage ratio of at least 4.00.

The covenants were in compliance at 30 June 2021.

SPCM also took out a €180 million credit facility with the European Investment Bank in October 2018. This debt is repayable on maturity in October 2026. The continued availability of this credit facility is subject to compliance with the same covenants as for the renewable credit facility.

Bank borrowings mainly consist of loans taken out in the USA (€14 million) and France (€314 million). In May 2021, SPCM repaid a €50 million bilateral credit facility that had reached maturity.

5.8.3. Debt maturities

The breakdown of borrowings and debt by maturity is presented below:

In € thousands		30/06/2021	31/12/2020
< 1 year	(1)	149,999	94,741
1 to 2 years		9,913	127,802
2 to 3 years		4,865	6,290
3 to 4 years		2,583	2,810
4 to 5 years		758,274	395,850
> 5 years		558,684	905,298
Total		**1,484,319**	**1,532,791**

(1) The schedule above does not make allowance for the €105 million extension, obtained in July 2021, of both Group bilateral credit facilities until 2024.

At 30 June 2021, most of the Group's gross borrowings are subject to fixed interest rates, including the €1,121 million high yield bond.

5.9. Management of risks relating to financial instruments

SPCM continued to apply the credit, liquidity and market risk management policies described in Note 7.16 to the 2020 consolidated financial statements. No change was made to these policies during the first half of 2021.

5.10. Book value and fair value of financial instruments

5.10.1. Financial instruments

The book value of financial assets and liabilities by accounting category defined under IFRS 9 is as follows:

30/06/2021 In € thousands	Carrying value	Financial assets measured at FVTPL	Financial assets/liabilities at amortised cost
ASSETS			
Financial assets	51,045	51,045	
Other financial assets	11,972		11,972
Loans and receivables	8,552		8,552
Current account borrowings	5,702		5,702
Trade receivables	655,593		655,593
Cash and cash equivalents	289,333	289,333	
TOTAL	**1,022,197**	**340,378**	**681,819**
EQUITY AND LIABILITIES			
Bonds	1,102,202		1,102,202
Other bank borrowings	336,579		336,579
Lease liabilities	38,243		38,243
Current account borrowings	6,386		6,386
Other borrowings	659		659
Bank overdrafts	250		250
Trade payables	470,978		470,978
TOTAL	**1,955,297**	**0**	**1,955,297**

The fair value of the €1,120.7 million high yield bond issues carried out by the Group (€700 million plus US$500 million, equivalent to €420.7 million) amounted to €1,146.6 million at 30 June 2021. The euro bonds are quoted at 101.75% and 102.628% and the USD bonds at 102.5% of par.

The fair value of trade receivables and other current receivables (assets held to maturity) represents their book value, given their short-term maturities.

Non-current financial assets mainly include non-consolidated equity interests, receivables on these interests and receivables due in more than one year. These assets are carried at their acquisition cost, which according to the Group's estimates represents their fair value in the absence of an active market.

Loans and borrowings, in the absence of quoted prices on an active market, are measured on the basis of future cash flows, item by item, discounted up to the closing date based on the rates observed on the market at period end for comparable types of debt instruments.

5.10.2. Fair value of financial instruments

Estimated fair values of the Group's financial instruments are as follows:

	30 June 2021			
In € thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity interests		51,045		**51,045**
Cash and cash equivalents	289,333			**289,333**
Derivative liabilities		0		**0**

6. Off-balance sheet commitments

Off-balance sheet commitments consisting of guarantees given by SPCM to financial institutions on behalf of its subsidiaries did not change significantly from the details set out in Note 9.1 to the 2020 financial statements.

The Group obtained grants receivable totalling €14.6 million, of which €1.6 million had been received at 30 June 2021. These grants are subject to conditions relating to amounts invested and jobs created.

7. Related party transactions

No other related party transactions occurred during the period, nor was there any change in the nature of the transactions described in Note 9.2 to the 2020 consolidated financial statements.

8. Post balance sheet events

No material events occurred before the Board's approval of the financial statements on 25 August 2021.

SPCM SA

Société anonyme

ZAC de Milieux

42160 ANDREZIEUX BOUTHEON

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2020

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

SPCM SA

Société anonyme

ZAC de Milieux

42160 ANDREZIEUX BOUTHEON

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2020

To the Annual General Meeting of SPCM SA

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of SPCM SA for the year ended December 31st, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31st, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from January 1st, 2020 to the date of our report.

Justification of Assessments

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you that the assessments which, in our professional judgment, were of most significance in our audit of the financial statements addressed the appropriateness of the accounting principles used.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Specific Verifications

We have also performed in accordance with professional standards applicable in France the specific verifications required by law and regulations of the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (code de commerce) is included in the Group's management report, it being specified that, in accordance

with the provisions of Article L.823-10 of the code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Other Legal and Regulatory Verification or Information

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation

Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Saint-Etienne and Lyon, March 12th, 2021

The statutory auditors

French original signed by

BM AUDIT	**DELOITTE & ASSOCIES**
Emilie VIRICELLE	Guillaume VILLARD

SUMMARY OF THE CONSOLIDATED FINANCIAL STATEMENTS

Financial statements

1. Consolidated income statement
2. Consolidated statement of comprehensive income
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Note 4	Accounting principles
Note 5	Presentation of the income statement
Note 6	Information on consolidation
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

In € thousands	Notes	31/12/2020	31/12/2019
Goodwill	**7.1**	71 858	78 479
Other intangible assets	**7.1**	60 461	63 421
Right-of-use lease assets	**2.1**	40 325	44 146
Property, plant and equipment	**7.2**	1 949 223	2 003 999
Investments in associates	**6.3**	5 859	5 378
Financial assets	**7.3**	39 065	38 872
Other non-current financial assets	**7.3**	7 449	14 212
Deferred tax	**8.7**	873	311
Other non-current assets	**7.4**	8 785	5 384
NON-CURRENT ASSETS		**2 183 899**	**2 254 202**
Inventories and work in progress	**7.5**	503 233	582 813
Trade receivables and other assets relating to contracts with customers	**7.6**	511 975	572 099
Other current receivables	**7.7**	105 386	117 867
Current tax	**8.7**	47 496	35 623
Current financial assets	**7.7**	12 011	9 265
Cash management financial assets	**7.8**	56 488	24 622
Cash and cash equivalents	**7.8**	382 604	215 957
CURRENT ASSETS		**1 619 193**	**1 558 245**
TOTAL ASSETS		**3 803 092**	**3 812 447**

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

Equity and Liabilities

In € thousands	Notes	31/12/2020	31/12/2019
Share capital	**7.9**	50 039	50 039
Retained earnings and reserves		1 353 327	1 230 010
Net income for the period		133 051	257 068
EQUITY ATTRIBUTABLE TO THE GROUP		**1 536 417**	**1 537 116**
NON-CONTROLLING INTERESTS	**7.10**	**32 364**	**27 382**
TOTAL SHAREHOLDERS' EQUITY		**1 568 781**	**1 564 499**
Deferred tax	**8.7**	137 884	136 154
Non-current provisions	**7.11**	53 993	46 593
Non-current borrowings	**7.13**	1 406 479	1 376 827
Non-current lease liabilities		31 571	35 694
Other non-current liabilities	**7.14**	20 920	32 289
NON-CURRENT LIABILITIES		**1 650 846**	**1 627 557**
Current provisions	**7.11**	2 310	6 658
Current borrowings	**7.13**	84 200	33 872
Current lease liabilities		10 541	10 059
Trade payables	**7.14**	313 962	373 300
Other current liabilities	**7.14**	160 101	178 856
Current tax	**8.7**	12 351	17 647
CURRENT LIABILITIES		**583 464**	**620 391**
TOTAL EQUITY AND LIABILITIES		**3 803 092**	**3 812 447**

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

In € thousands	Notes	31/12/20	31/12/19
Revenue	**8.1**	2 982 121	3 358 147
Cost of sales	**8.2**	(1 791 121)	(2 120 928)
GROSS PROFIT		**1 191 000**	**1 237 219**
Manufacturing costs	**8.2**	(593 020)	(588 836)
Marketing costs	**8.2**	(133 355)	(132 727)
Research and development expenditure	**8.2**	(52 088)	(49 329)
Administrative expenses	**8.2**	(78 347)	(74 887)
GENERAL AND ADMINISTRATIVE EXPENSES		**(263 789)**	**(256 943)**
RECURRING OPERATING INCOME		**334 191**	**391 440**
Depreciation and impairment	**8.4**	(217 710)	(183 539)
Non-recurring operating income/(expenses)	**8.5**	(66 083)	(21 750)
Financial income/(expenses)	**8.6**	(86 553)	(39 162)
Income tax	**8.7**	(43 046)	(68 944)
Share in earnings of associates		698	441
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**139 208**	**262 025**
Profit/(loss) from discontinued operations		0	0
NET INCOME		**139 208**	**262 025**
Share of non-controlling interests		(6 156)	(4 957)
NET INCOME ATTRIBUTABLE TO THE GROUP		**133 051**	**257 068**
Basic earnings per share		29,25	56,51
Diluted earnings per share		29,25	56,51

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Notes	31/12/20	31/12/19
Consolidated net income		**139 208**	**262 025**
Hedging instruments		0	0
Currency translation adjustments		(121 198)	21 148
Taxation		0	0
Items subsequently posted to profit or loss		**(121 198)**	**21 148**
Actuarial gains/(losses)		(6 662)	(4 930)
Taxation		(9 566)	1 021
Items not posted to profit or loss		**(16 228)**	**(3 909)**
Total income and expenses directly recognised in equity		**(137 425)**	**17 239**
Comprehensive income for the period		**1 783**	**279 264**
Attributable to owners of the parent		(3 600)	274 132
Attributable to non-controlling interests		5 382	5 133

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In € thousands	Notes	31/12/20	31/12/19
NET INCOME ATTRIBUTABLE TO THE GROUP		**133 051**	**257 068**
Depreciation, amortisation and provisions		217 101	193 394
Reversals of depreciation, amortisation and provisions		(10 982)	(5 691)
Grants transferred to net income		(60)	0
Undistributed earnings of associates		(698)	(441)
Gains/(losses) from asset disposals		2 218	1 842
Other items		847	(4 377)
Income attributable to minority interests		6 156	4 957
Income tax charge (current and deferred)		43 047	66 087
Gross interest expense	**8.6**	87 452	65 406
FREE CASH FLOW		**478 133**	**578 244**
Change in inventories and work in progress		46 151	(1 228)
Change in trade receivables		23 198	(1 592)
Change in trade payables		(26 501)	(8 675)
Change in other payables and receivables		(142)	3 193
Tax paid		(58 838)	(53 397)
Interest paid		(42 898)	(65 444)
NET CASH FROM OPERATING ACTIVITIES		**419 103**	**451 101**
Inflows from fixed asset disposals		4 890	4 511
Investments in property, plant and equipment and intangible assets		(282 085)	(334 896)
Financial investments		(1 506)	(11 298)
Acquisition of subsidiaries, net of cash acquired		(7 793)	(16 936)
Repayments of non-current financial assets		5 065	9 765
NET CASH FROM INVESTING ACTIVITIES		**(281 430)**	**(348 855)**
Change in borrowings		73 385	(67 830)
Share capital increases (reductions)		0	0
Dividends paid (including to minority interests)		(1 072)	(2 642)
NET CASH FROM FINANCING ACTIVITIES		**72 312**	**(70 472)**
Effect of changes in exchange rates		(11 414)	1 755
NET CHANGE IN CASH AND CASH EQUIVALENTS		**198 571**	**33 529**
Opening cash and cash equivalents	**7.8**	240 579	207 126
Opening bank overdrafts		(82)	(159)
Closing cash and cash equivalents		439 092	240 579
Closing bank overdrafts	**7.8**	(24)	(82)

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

During the financial year ended 31 December 2020, changes in long-term borrowings excluding changes in cash increased to €35.8 million, due to unrealised foreign exchange gains and losses.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousands	Share capital	Retained earnings and reserves	Currency translation adjustments	Equity attributable to the Group	Non-controlling interests	Total equity
AT 1 JANUARY 2019 RESTATED	**50 039**	**1 166 093**	**50 851**	**1 266 983**	**20 867**	**1 287 850**
Impact of IFRS 16		**(235)**		**(235)**	**0**	**(235)**
AT 1 JANUARY 2019 RESTATED	**50 039**	**1 165 858**	**50 851**	**1 266 748**	**20 867**	**1 287 615**
Net income for the period		257 069		257 069	4 957	262 026
Gains and losses recognised in equity		(3 909)	20 972	17 064	175	17 239
Comprehensive income for the period	**0**	**253 161**	**20 972**	**274 133**	**5 133**	**279 266**
Distribution of dividends		0		0	(2 858)	(2 858)
Share capital increase	0	0		0	0	0
Changes in consolidation scope		(3 764)	0	(3 764)	4 299	535
Other changes		(29 167)	28 931	(236)	(58)	(294)
AT 31 DECEMBER 2019 REPORTED	**50 039**	**1 386 322**	**100 755**	**1 537 116**	**27 382**	**1 564 499**
Net income for the period		133 051		133 051	6 156	139 208
Gains and losses recognised in equity		(16 228)	(120 424)	(136 651)	(774)	(137 425)
Comprehensive income for the period	**0**	**116 824**	**(120 424)**	**(3 600)**	**5 382**	**1 782**
Distribution of dividends		(1 072)		(1 072)	(800)	(1 873)
Share capital increase	0	0		0	0	0
Changes in consolidation scope		(2 430)	(92)	(2 522)	0	(2 522)
Other changes		6 496	0	6 496	399	6 896
AT 31 DECEMBER 2020	**50 039**	**1 506 139**	**(19 761)**	**1 536 417**	**32 364**	**1 568 781**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Founded in 1978, SPCM SA is a French limited company (société anonyme) subject to all laws and regulations governing trading companies in France and, in particular, to the provisions of the French Commercial Code (Code de Commerce). The company's registered office is located in ZAC de Milieu, Andrézieux-Bouthéon (Loire), France. The Group designs, manufactures and sells a range of chemical products.

The Company's fiscal year runs from 1 January to 31 December.

The 2020 consolidated financial statements including notes thereto were approved by the SPCM SA Board of Directors on 10 March 2021. The information and accounting data presented below is expressed in thousands of euros, with the exception of earnings per share information, which is given in euros.

Note 1 – Highlights of the period and post balance sheet events

1.1 Highlights of the period

• COVID-19 pandemic

COVID-19 was declared a pandemic by the World Health Organisation on 11 March 2020.

In the face of this unprecedented global health crisis, SPCM's priority has been the safety of its teams, partners, sub-contractors, customers and stakeholders.

The Group's operations and results were impacted by the consequences of the pandemic, including a bidding war between producing countries, and the oil and gas sector was marked by a sharp slowdown. The other sectors were less affected and the decline was limited.

2020 saw a decline in business volumes, with revenue falling 11.12% over 2019. This decline was particularly marked in the Americas. Falling commodity prices have positively impacted the gross margin (39.94% in 2020 compared to 36.84% in 2019).

• 2020 capital expenditure

Investments in property, plant and equipment in 2020 fell to €274 million from €346 million in 2019 due to the adaptation of the investment plan to the decline in activity brought on by the COVID-19 pandemic.

The investments concern improvement of processes and increases in capacity, in particular in the US (€118m), China (€32m), France (€64m) and India (€14m).

In 2019, capital expenditure was primarily focused on the US, France, China, India, the UK and Brazil.

- **Borrowings**

Gross borrowings totalled €1,533 million at 31 December 2020, versus €1,456 million at 31 December 2019.

In September 2020, the Group restructured its debt in order to benefit from favourable market conditions and extend its debt maturity.

On 15 September 2020, the €550 million high yield bond placement carried out on 22 April 2015 was restructured as follows:

	High yield 2015	High yield 2020	High yield 2020
Par value (€m)	550	350	350
Maturity	2023	2026	2029
Coupon	2,875%	2%	2,625%

By way of a supplemental agreement dated 22 June 2018, the €350 million revolving credit facility agreement dated 31 July 2015 was amended to extend the final maturity date to 31 July 2025.

The main financing arrangements put in place in 2019 included the grant of a €50 million loan by a French bank, repayable on maturity at 14 May 2021 (with 2 extension options of one year each) at fixed rate of 0.75%.

- **Status of litigation**

Patents: The SPCM Group is involved in litigation proceedings in a number of countries. None of these disputes are likely to have a material impact on the Groups financial statements. The dispute was definitively closed at 31 December 2020.

Other: A dispute with a customer regarding an oil project began in March 2020. The Group expects to recover the net assets recorded on the balance sheet in relation to this project in the short term.

• Acquisition of equity interests

In 2020, the Group did not purchase equity interests in non-consolidated companies, compared to a total of €4 million in 2019.

1.2 Post balance sheet events

No material events have occurred between the end of the reporting period (31 December 2020) and the date the Board of Directors approved the financial statements (10 March 2021) that could modify the financial information presented herein.

Note 2 - STATEMENT OF ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the general principles of IFRS: fair presentation, going concern, accrual basis of accounting, consistency of presentation, materiality and aggregation. The historical cost basis of accounting is applied to all assets, with the exception of financial assets and financial instruments measured at fair value.

The Group's financial statements are prepared in euros, the presentation currency as well as the functional currency of the parent company.

2.1 Basis of preparation

In accordance with the terms of the 23 June 2006 senior syndicated credit facility and the June 2006 high yield corporate bond issue, since 1 January 2006 the SPCM Group consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable for the fiscal year ended 31 December 2020.

The IFRS may be consulted at the European Commission's website at the following address:(https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr).

The accounting policies applied are consistent with those used to prepare the 2019 consolidated financial statements with the exception of standards, amendments and interpretations adopted by the European Union effective 1 January 2020.

- **New standards and interpretations applicable from 1 January 2020**

The European Union adopted the following texts whose application is mandatory for the Group for its fiscal year beginning 1 January 2020:

- Amendment to IAS 1 and IAS 8 – "Amendments to the definition of material"
- Amendment to IFRS 3 - "Business Combinations – Definition of a Business";
- Amendments of references to the conceptual framework in IFRS;
- Amendments to IFRS 9 and IFRS 7 "Interest rate benchmark reform" - phase 1;
- Adjustment to IFRS 16 "Leases": Rental adjustments related to COVID-19 approved by the European Union on 12 October 2020; impact not material for the consolidated financial statements at 31 December 2020.

- **Standards and interpretations adopted by the IASB not yet applicable at 31 December 2020**

The Group did not apply in advance any new standards, amendments and interpretations, whether adopted or to be adopted by the European Union, due to come into force after 31 December 2020, whose application was therefore possible but not mandatory. These mainly include the following standards, amendments and interpretations:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – phase 2;
- Amendments to IAS 1 "Presentation of financial statements – Classification of liabilities as current or non-current";

- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets – Onerous contracts, notion of costs directly attributable to contracts";
- Amendments to IFRS 3 "Business Combinations – References to the conceptual framework";
- IFRS annual improvements, 2018-2020 cycle.

The Group does not expect these standards, amendments and interpretations to have an impact on the consolidated financial statements.

There are no accounting policies that contradict any IFRS mandatory for periods beginning on or after 1 January 2020, not yet adopted by the European Union, and which would have had a material impact on the financial statements for the year.

2.2 Use of estimates

In preparing the financial statements, estimates and assumptions are made that affect amounts recognised under assets and liabilities. These estimates are established, on the basis of the going concern principle, according to information available at that time. These estimates may be revised if the circumstances on which they were based change, or if subsequently modified or supplemented by new information. Actual future results may differ from these estimates.

The main estimates made by management in preparing these financial statements concern:

- assumptions adopted for the measurement of certain provisions, notably severance retirement benefits and long service awards;
- assumptions and estimates used for annual goodwill impairment tests;
- the measurement of property, plant and equipment and intangible assets;
- the measurement of equity interests of non-consolidated companies;
- percentage-of-completion method contracts: Group policy is defined in note 5.2;
- provisions for impairment of current assets and current and non-current provisions;
- calculating lawsuit contingency provisions;
- evaluating the useful lives of certain property, plant and equipment.

The nature and amount of these estimates are presented in the detailed notes to the corresponding account headings.

The Group is not aware of any major change during the year in the uncertainties underlying such estimates and assumptions, except for high volatility in the discount rate used for calculating employee benefit liabilities. (see note 7.12)

Note 3 – CONSOLIDATION PRINCIPLES

3.1 Basis of consolidation

As stated above, the Group has applied the new consolidation principles.

The Group fully consolidates companies that it controls. Control for consolidation purposes is assessed based on IFRS 10 criteria, which include power over the relevant operations, exposure to variable returns and capacity to use its power to influence the level of those returns. A controlling interest is considered to exist for companies in which SPCM directly or indirectly holds at least 50% of the voting rights. To determine this control, potential voting rights that are immediately exercisable, including those held by another entity, are taken into account.

Companies in which the Group exercises significant influence are consolidated under the equity method.

Following an analysis of joint arrangements under IFRS 11 criteria, the Group did not identify any joint ventures or joint operations.

Shares in companies that do not meet these criteria are recognised under non-current financial assets. The consolidation of these companies would have a non-material effect on the consolidated financial statements, as they are entities whose potential losses are recognised in the form of impairment. Furthermore, these entities are financed by the Group, which accounts for virtually all their purchases or sales.

• The list of consolidated companies is presented in note 6.2.

• All transactions between consolidated companies are eliminated.

3.2 Business combinations

Business combinations are recognised using the acquisition method. This method involves recognising the assets acquired and liabilities and contingent liabilities assumed at fair value.

The difference between the purchase cost of the investment and the Group share of the companies' assets, liabilities and contingent liabilities at fair value, as identified as at the acquisition date, is recognised under goodwill. Acquisition costs for fully consolidated companies are expensed in the year when incurred. Where the acquisition does not cover 100% of the subsidiary's capital, non-controlling interests are valued at the acquisition date, either at fair value, or at the share of the acquiree's identified net assets.

If the cost of acquisition is less than the fair value of the subsidiary's net assets, identifiable assets and liabilities are subject to an additional analysis and the resulting badwill gain is recognised directly in income.

Recognition of the business combination is finalised within one year of the date on which control is obtained.

3.3 Intercompany transactions

Transactions involving reciprocal assets/liabilities and income/expenses between fully consolidated companies are eliminated in the consolidated financial statements. These items are eliminated:

- in full if the transaction is between two controlled subsidiaries;
- for the percentage of the equity-accounted interest in the case of earnings between a fully consolidated company and a company consolidated under the equity method.

3.4 Translation of foreign subsidiaries' financial statements

In most cases, the functional currency of Group companies is their local currency. Transactions in foreign currency are converted by the subsidiary into their operating currency using the prevailing exchange rate as at the transaction date.

The Group applies the closing rate method for the translation of its subsidiaries' financial statements:

• Assets and liabilities in a functional currency other than the euro are translated at the closing rate, while income statement items are translated at the weighted average exchange rate for the period. All shareholders' equity accounts other than net income for the year are converted based on historical exchange rates;

• The resulting exchange difference is posted to other comprehensive income as a movement for the year. Currency differences are broken down under shareholders' equity.

Goodwill arising from the acquisition of a foreign entity is treated as an asset or liability of said entity and, therefore, is stated in the entity's operating currency and converted at the closing rate.

Currency differences are posted to income when the subsidiary is no longer consolidated due to sale, liquidation, etc.

3.5 Translation of transactions in foreign currency

Recognition and measurement of transactions in foreign currency are defined by IAS 21 "The Effects of Changes in Foreign Exchange Rates". Transactions in currencies other than the euro are recognised at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in these other currencies are translated at the closing rate. Currency gains and losses resulting from translation are recognised in the income statement for the year.

However, for non-monetary assets and liabilities, all changes in fair value, including exchange rate changes, are recognised according to the principles that apply to the corresponding categories of financial assets to which they belong.

3.6 Transactions between shareholders, acquisitions and disposals of non-controlling interests after the acquisition date

In accordance with IFRS 10, acquisitions or disposals of non-controlling interests not involving a change in control are considered as transactions with Group shareholders. Under this approach, the difference between the price paid to increase the percentage of ownership in entities already controlled and the additional portion of share capital thus acquired is recorded under Group equity. In the same way, a reduction in the percentage of the Group's interest in an entity remaining under its control is accounted for under Group equity without impacting profit or loss.

Note 4 – ACCOUNTING PRINCIPLES

4.1 Intangible assets

4.1.1. Development costs

In accordance with IAS 38 "Intangible Assets", research costs are recognised as an expense, and development costs must be capitalised if they meet the following conditions:
• Technical feasibility for the entity to complete the intangible asset so that it will be available for use or sale
• Entity intends to complete the development project for use or sale
• Ability of the entity to use or sell the asset
• It is likely that the future economic benefits generated by the intangible asset will accrue to the entity
• The entity possesses adequate technical, financial and other resources to complete the development and to use or sell the asset
• The cost of this intangible asset can be accurately measured

Capitalised expenditure includes staff costs, cost of materials and services used and directly attributable to the project in question, as well as all expenses directly attributable to a development project that meets the conditions for capitalisation. These assets are amortised from the date on which the products are first marketed or the industrial processes concerned are first used, over the estimated duration of the economic benefits expected from the project.
These assets are amortised over a period of four years. This period corresponds to the average lifespan for a commercial reference based on the Group's experience in this area.
These assets are amortised starting from the release date for production of a new commercial reference.

Development costs that do not meet the criteria defined by this standard are expensed in the period in which they are incurred.

On the basis of these criteria, gross development costs totalled €32.8 million at 31 December 2020 with an amount of €5 million recognised as intangible assets in 2020.

4.1.2. Goodwill and business combinations

Positive goodwill from consolidated companies is recognised on the balance sheet under "Goodwill". As at the date when control is obtained, the excess of the purchase price over the net fair value of the acquiree's identifiable assets and liabilities is recognised under goodwill. The acquisition cost (or consideration transferred) is measured at the fair value of assets given, equity instruments issued or liabilities incurred or assumed at the acquisition date plus or minus any adjustments to the acquisition cost.

In accordance with IFRS 3 "Business Combinations", goodwill is not amortised. On the acquisition date, this goodwill is allocated to an identifiable cash-generating unit (CGU). Goodwill is tested for impairment at least once a year and whenever any evidence of impairment is identified. Procedures for conducting impairment tests and their recognition are given in note 4.3 "Impairment of fixed assets".

Goodwill is recorded in the balance sheet after deducting impairment losses that may be recognised. Impairment charges are recognised under "Recurring operating income" or "Non-recurring operating income and expenses" depending on the event underlying the impairment.

4.1.3. Other intangible assets

Other intangible assets are held in the balance sheet at cost less any cumulative amortisation and impairment losses. This item primarily concerns know-how and patents acquired in connection with the Group's activities and development, as well as software applications.

When they have finite useful lives, these assets are amortised on a straight-line basis over the periods corresponding to their estimated useful lives. The amortisation methods and useful lives are reviewed at least once a year. The estimated useful lives are as follows:

• Know-how for a period of 5 to 10 years according to the expected or foreseeable duration of the project,
• Software over a period of 5 years.

Assets with indefinite useful lives are not amortised, and are subject to an impairment test once a year (see note 4.3).

Subsequent expenditure on intangible assets is capitalised only if it is probable that such expenditure will enable the asset in question to generate future economic benefits in excess of its originally assessed standard of performance. Other expenditure is recognised as an expense when incurred.

4.2 Property, plant and equipment

Property, plant and equipment are stated at cost plus any incidental acquisition expenses. Depreciation is calculated on a straight-line basis over the asset's useful life.

Major items of property, plant and equipment that are replaced at regular intervals, used for different purposes or that generate economic benefits over different periods and require the application of specific depreciation rates or methods, are recognised separately upon initial recognition and when replaced.

The depreciation periods applied are as follows:

• Buildings: 15 to 25 years
• Installations and improvements: 10 years
• Plant and machinery: 15 years
• Other PP&E: 5 to 8 years

Component accounting for major repairs is not applicable to the Group. Furthermore, the company has not capitalised any dismantling or decontaminating costs that may result from an obligation to restore the site.
Borrowing costs attributable to the financing of an asset and incurred during the construction period are included in the value of the asset, representing qualifying assets within the meaning of IAS 23 "Borrowing Costs".

The Group has chosen not to apply the revaluation option offered under IAS 16. As a result, no property, plant and equipment has been revalued.

In compliance with IFRS 16 "Leases", fixed assets acquired through long-term finance leases or rental contracts are recognised at the lower of fair value and the present value of the minimum lease payments when such leases or contracts transfer to the lessee substantially all the risks and rewards from ownership of the asset; the resulting fixed asset is then depreciated according to the above procedures.

Liabilities resulting from finance lease accounting are recorded under borrowings.

Grants financing part or the full cost of an item of property, plant or equipment are recognised as deferred income on the balance sheet and as income on the income statement.

4.3 Impairment of fixed assets

In accordance with IAS 36 "Impairment of Assets", the net carrying value of property, plant and equipment and intangible assets is tested whenever there is evidence of impairment, and reviewed at the end of each period. This test is performed at least once a year for fixed assets with an indefinite useful life including goodwill, and for fixed assets in progress.

Depreciated and amortised assets are subject to tests for impairment when, due to specific events or circumstances, there is evidence of impairment.

For the performance of these tests, fixed assets are grouped into cash-generating units (CGU). CGUs are homogeneous groups of assets whose continued use generates cash inflows largely independent of the cash inflows generated by other asset groups.

In practice, the cash-generating units correspond to a continental geographical region. Fixed assets attached to these CGUs primarily include equipment and other industrial installations (mainly buildings and machinery). Sales subsidiaries are attached to the CGU from which they primarily source their products, as they are the commercial outlets for the production sites and cannot therefore be disassociated from them.

The CGUs defined by the Group are as follows: Americas CGU, Asia CGU, Europe CGU and Other CGU. Details on the definition of CGUs are provided in note 7.1.

The impairment charge recorded amounts to the excess of the carrying amount of the CGU over its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

In practice, impairment tests are carried out in relation to the value in use of these units, calculated with reference to the present value of future net cash flows. Value in use calculation methods are stated under note 7.1.

Impairment thus calculated is first offset against goodwill, then against the CGU's other assets, up to their recoverable value.

Impairment charges for a CGU or an indefinite life asset are recorded under "Non-recurring income and expenses" or "Other operating income and expenses", depending on the origin of the impairment.

Goodwill impairment is only written back to income if the related entity is deconsolidated due to sale or liquidation, except for equity-accounted companies.

For non-financial assets (other than goodwill) having incurred impairment, the additional impairment charge or the reversal, as the case may be, is reassessed at the closing date of each year or interim period.

4.4 Financial instruments

The measurement and recognition of financial instruments are defined by IFRS 9 "Financial Instruments: Recognition and Measurement". Financial assets and liabilities are recognised in the Group's balance sheet when it becomes a party to the contractual provisions of an instrument. They are initially recognised at cost, i.e. at the fair value of the consideration given or received. Transaction costs directly attributable to the acquisition or issuance of a financial asset or liability are included on initial valuation of all financial assets and liabilities. Acquisition costs include direct external transaction costs. These transaction costs are only attributed to financial assets and liabilities not measured at fair value through profit or loss. Transaction costs are posted to the income statement in accordance with IFRS 9.

4.4.1 Financial assets

Financial assets include non-current financial assets (mainly non-consolidated investments), current assets representing operating receivables, debt securities or investment securities.

Financial assets are stated according to their classification under IFRS 9, depending on how they are managed, as presented below:

- **financial assets stated at fair value through profit or loss (FVTPL):** the analysis results in non-consolidated investments and cash investments being assigned to this item.

- **financial assets measured at fair value through other comprehensive income (FVOCI):** no financial asset falls under this definition for the fiscal years presented.

- **financial assets measured at amortised cost (AC):** according to the analysis, other non-current financial assets (deposits and guarantees, material loans, etc.), trade receivables and current financial assets other than cash and cash equivalents are assigned to this item.

There are no other material financial assets with a significant financing component.

The standard provides that, if an equity investment is not held for trading, an entity can make an irrevocable election to recognise changes in the fair value in other comprehensive income, with no possibility of recycling through profit or loss.

4.4.2 Financial liabilities

Financial liabilities include borrowings, other financing, bank overdrafts and operating payables.

Borrowings are initially recognised at the amount received net of borrowing costs. Subsequently, borrowings are measured at the payable balance under the effective interest method.

Other financial liabilities (trade payables, etc.) are measured at amortised cost. They contain no financing component.

4.5 Inventories and work in progress

Raw materials and traded goods are carried at actual purchase cost under the FIFO method.
Work in progress and finished goods are measured at production cost, including utilities and supplies and the share of direct and indirect manufacturing costs.

When the gross value determined according to the conditions described above is greater than the net realisable value, a provision for impairment is recorded for the difference.
Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale (mainly selling expenses).

Borrowing costs are not included in the measurement of inventory because of the short duration of the manufacturing cycle.

4.6 Trade receivables and other current assets

Trade receivables and other current assets largely consist of amounts owed by customers or loans due in less than one year that represent current financial assets. Such assets are recognised at fair value which, in practice, is close to their face value. They are discounted when they exceed one year. A provision is recorded when the recoverable amount is lower than the book value. The book value takes into account criteria such as late payments, financial difficulties and disputes.

This item also includes employee and tax-related receivables, which are measured at face value.

4.7 Factoring

In light of the terms and conditions accorded to the Group following the revamped non-recourse factoring agreement dated 30 December 2011 with FACTO CIC and with Wells Fargo in the United States in early 2016, the Company records the cash received from the sale of the receivables under "Cash and cash equivalents" and security deposits under "Other current receivables", while assigned receivables which amounted to €68.7 million (€46.6 million in France, €18.8 million in the United States and €3.9 million in the United Kingdom), compared to €74.4 million at 31 December 2019, are derecognised, mainly for the following reasons:

- The rights to cash flows from the assets assigned do not expire on the date of assignment;
- The rights to receive cash flows from the assets are transferred to the assignee (factor);
- The risks and rewards are substantially transferred to the factor. It is expressly stipulated under the terms of the contract that the factor shall not have recourse against SNF, in the event of the default of the assigned debtor for receivables guaranteed, and that late payment penalties are transferred to the factor. Based on historical statistics of contracting companies, the risk of default and late payment is nevertheless very low for all receivables assigned;
- Control of the asset is not retained by the Group;

Accounting for this means of financing is analysed on the basis of the decision tree provided under IFRS 9.

4.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term investments in money markets as well as amounts made available to us by the factor but unused.
Such assets are recognised and carried at fair value based on the last known price for the year. Changes in fair value are taken to income.

Cash equivalents are liquid investments readily convertible into cash and subject to an insignificant risk of changes in value.

4.9 Income tax

Income tax expense and income include current tax expense (income) and deferred tax expense (income).

Current tax is the estimated tax due based on taxable income for the period. It also includes adjustments to amounts of current taxes of prior periods.
Deferred tax is calculated per entity under the balance sheet method. Temporary differences between book and tax values of assets and liabilities result in deferred tax in accordance with the liability method based on year-end tax rates.

Differences are considered temporary when it is highly probable they will be reversed in the foreseeable future. Deferred tax assets resulting from temporary differences or unused tax losses are only offset against deferred liabilities with the same maturity, unless it is highly probable that they will be offset against future taxable income within the foreseeable future - generally considered to be from one to five years, or if the Group has decided to set up an internal tax accounting arrangement.

In compliance with IAS 12 "Income Taxes", deferred tax assets and liabilities are not discounted.

For balance sheet presentation purposes, deferred tax assets and liabilities are offset at the level of each tax entity.

The regional economic contribution tax or CET (*contribution economique territoriale*) is comprised of two different levies - one assessed on business property (*contribution foncière des entreprises* or CFE) and the other on added value (*cotisation sur la valeur ajoutée des entreprises* or CVAE). This latter contribution is assessed on the basis of added value generated by the company over the year. The Group has decided that CVAE meets the definition of income tax as defined by IAS 12.

4.10 Provisions

In compliance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recorded only if all of the following criteria are met:

- The Group has a present obligation arising from a past event;
- It is probable that an outflow of resources entailing economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Provisions are recorded in compliance with the above three principles in the event of tax litigation, contingencies for non-consolidated subsidiaries or any other event meeting the definition of a liability. A review of all litigation was undertaken at the end of the reporting period by management and outside counsel, when necessary, to determine the amounts required to cover the estimated risk involved.

Information on contingent assets and liabilities is provided in the notes where necessary and when the impact is material.

Restoration of sites

Provisions are recorded for future expenditure for the restoration of sites resulting from a legal or constructive obligation on the basis of a reasonable estimate of their fair value in the period in which the obligation arises.

As a reverse entry for this provision, the costs of restoring sites are capitalised, included in the value of the underlying asset and amortised over its useful life.

The impact of the passage of time on the provision for restoring sites is measured by applying a discount effect to the provision amount.

At 31 December 2020, Group management has not identified any significant future expenditure for the restoration of sites, whether involving environmental clean-up or dismantling, as defined above, calling for the recognition of a provision and an underlying asset.

4.11 Employee benefits

4.11.1 Retirement plans and other post-employment benefits

In some countries, the Group has an obligation to pay retiring employees either retirement severance benefits or pension payments in accordance with formal retirement plans. The Group also has an obligation to make contributions to pension funds in countries where its subsidiaries operate. The accounting treatment of these retirement liabilities varies according to the applicable provisions of these plans.

• Defined contribution plans

Under defined contribution plans, payments are made to a third-party organisation that releases the employer from any subsequent obligation, while the organisation assumes responsibility for paying the pension to the employee. For this reason, contributions are recognised as expenses when they fall due.

• Defined benefit plans

In accordance with Revised IAS 19 "Employee Benefits", the corresponding liabilities are calculated annually by independent actuaries under the projected unit credit method, taking into account actuarial assumptions that are updated for each valuation. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to determine the final obligation. The final obligation is then discounted.

Each country defines the criteria to be used to perform the actuarial calculations. These include primarily the following variables: expected staff pay increases, life expectancy, staff turnover and the discount rate.

The discount rate is calculated with reference to government bonds having a maturity close to that of the liabilities.

Actuarial gains and losses resulting from changes in assumptions or differences in results for the plan's investments or liabilities are recognised immediately under other comprehensive income and are not written back to income.
Gains and losses from a change in plan are immediately recognised under income.

4.11.2 Other long-term benefits

Some subsidiaries pay bonuses when giving length-of-service awards. The method used for calculating these liabilities is the same as that used for defined benefit plans, the only difference being that the benefits are paid at predetermined dates. Actuarial gains and losses arising from the plan’s liabilities and changes are immediately recognised in income.

Note 5 - PRESENTATION OF THE INCOME STATEMENT

5.1 Revenue

Revenue represents the value, excluding tax, of goods and services sold by consolidated companies during their normal operating activities after eliminating intercompany sales.

Revenue is recognised upon the transfer of control related to the ownership of the goods.

Revenue is recognised at the fair value of the consideration received or receivable, i.e. after deducting amounts for trade discounts, rebates and related items.

The Group recognises revenue and costs relating to long-term contracts according to the cost-based percentage of completion method:

- The percentage of completion applicable to the contract is determined according to the ratio between costs incurred to date and expected costs to complete.
- The margin on completion of the construction contract is estimated on the basis of analyses of costs and revenue on completion, which are periodically revised at regular intervals over the duration of the contracts.

Contract costs on completion include:

- Materials purchased, outsourced studies, the costs of various contracts and services that relate directly to the contract;
- Costs for the time of personnel directly assigned to the contract, including social security charges.

The costs of percentage-of-completion method contracts do not include financial expenses.

Provisions are recorded for the full amount of any probable losses on the contract from the moment they are identified.

Revenue from a contract consists of costs incurred and the margin recognised on a cost-based percentage of completion calculated for the contract according to the aforementioned method.

Revenue recognition is based on a number of estimates determined by monitoring the progress of the work and taking into account possibilities for unforeseen events in light of past experience. Consequently, adjustments may be made to these initial estimates over the term of the contract that may have a material effect on future results.

5.2 Operating expenses

Operating expenses include the cost of sales, research and development expenditure, selling and administrative expenses.

5.3 Other operating income and expenses

- Recurring

"Other recurring operating income and expenses" includes capital gains and losses from the disposal of assets not attributable to sold or discontinued operations.

- Non-recurring

"Non-recurring operating income and expenses" consists of material items that are unusual, abnormal or infrequent in their occurrence. These are detailed in note 8.5 "Non-recurring operating income and expenses".

5.4 Operating profit

Operating profit includes all expenses and income not resulting from financing activities, associates, discontinued operations and income tax.

5.5 Interest expense

Net interest expenses include gross interest expenses, consisting of interest on borrowings under the effective interest method as well as amortisation of debt issuance expenses, from which income on cash investments is deducted.

5.6 Other financial income and expenses

"Other financial income and expenses" includes all other income and expenses relating to current borrowings and income and expenses relating to non-consolidated investments.

5.7 Earnings per share

Basic earnings per share is calculated using net income of the period attributable to the Group divided by the weighted average number of shares outstanding during the period.
Diluted earnings per share is identical to basic earnings per share as the Group does not have any equity instruments, such as stock options, or discontinued operations.

Note 6 – CONSOLIDATION SCOPE

6.1 Changes in Group structure

In 2020, the consolidation scope changed with the inclusion of Flocryl SAS, a French company that will manage the construction of the factory in Dunkirk.

In 2019, the consolidation scope changed following the consolidation of:

- the company Korona, a Poland-based distribution subsidiary. Korona, which exceeded our consolidation threshold in two consecutive years, has been fully consolidated;
- the acquisition of a 51% equity stake in Sooyang by our subsidiary SNF Korea for €5.8 million. Sooyang, a company based in Asia, has been fully consolidated. The buyout of minority interests is scheduled over the next seven years;
- the July 2019 acquisition of a distribution company by our US subsidiary for a fixed price of €15 million with (i) immediate payment of 33.34% of the shares and (ii) a firm commitment for the sale and purchase of 66.66% of the shares in May 2020 and May 2021. Provisional goodwill of €10.1 million was recorded;
- the December 2019 acquisition of the entire share capital of the company Rheolab by our UK subsidiary for an amount of €5.2 million. This company has been fully consolidated and provisional goodwill of €2.5 million has been recorded.

6.2 Consolidated companies

The following companies were consolidated at 31 December 2020:

Entities	SIREN	Country	Ownership interest (%)	Consolidation method
SPCM S.A.	312 327 737	France	Parent company	
SNF SA	430 006 643	France	100%	Full consolidation
FMI S.A.	961 502 564	France	99,99%	Full consolidation
SNF Coagulants	821 155 124	France	100,00%	Full consolidation
FLOCRYL SAS	518 759 006	France	100,00%	Full consolidation
SNF Property Ltd		Australia	100%	Full consolidation
SNF UK Holdings		United Kingdom	100%	Full consolidation
SNF Oil & Gas		United Kingdom	100%	Full consolidation
Rheolab		United Kingdom	100%	Full consolidation
SNF Japan		Japan	90%	Full consolidation
Tomooka Kaken Co. Ltd		Japan	51%	Full consolidation
SNF Italy		Italy	99,49%	Full consolidation
SNF Iberica		Spain	100%	Full consolidation
SNF do Brazil		Brazil	100%	Full consolidation
Flopam Do Brasil		Brazil	100%	Full consolidation
SNF Taixing		China	100%	Full consolidation
SNF Korea		South Korea	100%	Full consolidation
Sooyang		South Korea	51%	Full consolidation
Flonex AG		Switzerland	100%	Full consolidation
SNF Waters SPRL		Belgium	100%	Full consolidation
SNF Mexico		Mexico	99,50%	Full consolidation
SNF Canada		Canada	100%	Full consolidation
SNF Vostok		Russia	100%	Full consolidation
Flopam LLC		Russia	100%	Full consolidation
SNF India		India	100%	Full consolidation
Flopam India		India	100%	Full consolidation
SNF Chile		Chile	100%	Full consolidation
PPC		Sultanate of Oman	99%	Full consolidation
SNF Saudi Arabia		Saudi Arabia	75%	Full consolidation
Flomin Quingdao Chemical		China	100%	Full consolidation
SNF Holding Company		US	100%	Full consolidation
SNF Inc.		US	100%	Full consolidation
Flomin Inc.		US	100%	Full consolidation
Flomin Coal		US	100%	Full consolidation
Polydyne Inc.		US	100%	Full consolidation
Chemtall Incorporated		US	100%	Full consolidation
Flocryl Inc.		US	100%	Full consolidation
Floquip Engineering		US	100%	Full consolidation
SNF Turkey		Turkey	100%	Full consolidation
Polychemie Inc.		US	100%	Full consolidation
Polychemie GmbH		Germany	100%	Full consolidation
Reiflock		Germany & Austria	100%	Full consolidation
Chemquest		South Africa	95%	Full consolidation
Biomontan		Austria	50%	Full consolidation
Korona		Poland	100%	Full consolidation
Appalachian Chemical Services		US	100%	Full consolidation
Global Environmental Solutions Inc.		US	100%	Full consolidation
SNF Rudong		China	100%	Full consolidation

There were no joint ventures or operations.

6.3 Investments in associates

Investments in associates mainly involve manufacturing and commercial companies.

In € thousands	31/12/20	31/12/19
Gross amount		
Opening balance	5 378	4 433
Share in net income/(loss)	698	441
Changes in consolidation scope	193	0
First-time consolidation	0	0
Other changes	54	474
Currency translation adjustments	(464)	30
Closing balance	**5 859**	**5 378**

The contribution of associates to SPCM Group's financial statements as determined according to total assets (current and non-current), total liabilities (current and non-current), revenue and net income is not material. Goodwill exists for certain associates, which has been tested in consequence according to the method described in note 7.1.

Direct and indirect holdings in these associates in which SPCM SA exercises a significant influence range between 25% and 50%.

6.4 Non-consolidated companies

As mentioned in note 3.1 "Basis of consolidation", certain companies controlled by the Group considered non-material in relation to the size of the Group have not been consolidated.

6.4.1 Details of non-consolidated companies at 31 December 2020

Amounts recognised under non-current financial assets are presented below:

In € thousands	Ownership interest (%)	31/12/20	31/12/19
		Fair value	
SNF Indonesia	100%	3 988	2 614
KF SNF Co Ltd	85%	1 439	1 020
Ao Tong Holding Pty	100%	0	853
SNF Singapore	100%	546	539
BZF	100%	625	741
Sokoflok	99%	732	754
SNF Holland	100%	3 827	3 827
SNF Oman	99%	1 225	1 296
Flomin South America	100%	49	72
SNF Argentina	100%	33	4 299
Hymo	10%	4 752	4 752
SNF Nordic Ab	100%	1 767	1 782
SNF Finland	100%	531	674
SNF RSA	100%	1 383	641
BM Allied	40%	2 406	2 406
SNF Adriatic	100%	466	360
SNF Colombia	100%	1 364	829
PT SNF Polymers Indonesia	100%	3 715	4 506
SNF Philippines	100%	427	0
Saronfloc	100%	1 759	433
SNF Portugal	100%	5 922	3 361
SNF Thailand	43%	579	575
Other		1 529	2 537
Total		**39 065**	**38 872**

6.4.2 Changes in non-consolidated companies in fiscal 2020

In € thousands	31/12/20	31/12/19
Gross amount		
Opening balance	38 872	32 939
Acquisitions/increases	340	8 105
Disposals	0	0
Changes in consolidation scope	(37)	(2 289)
Other changes	0	0
Currency translation adjustments	(110)	117
Closing balance	**39 065**	**38 872**
Provisions		
Opening balance	0	0
(Allowances)/reversals	0	0
Disposals	0	0
Changes in consolidation scope	0	0
Other changes	0	0
Currency translation adjustments	0	0
Closing balance	**0**	**0**
Opening net value	38 872	32 939
Closing net value	**39 065**	**38 872**

Note 7 – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Intangible assets

In accordance with IAS 36 and IAS 38, indefinite life fixed assets, namely goodwill, are not amortised but rather subject to annual impairment tests. Details on procedures for impairment tests are provided in the note below.

Other finite life intangible assets are amortised on a straight line basis over their useful lives. Allowances for amortisation are recognised under the operating margin.

2020 In € thousands	Goodwill	Development costs	Patents	Other intangible assets	Advances and prepayments	Total
Gross amount						
Opening balance	78 479	27 808	62 159	65 574	12 376	246 396
Changes in consolidation scope	244			0		244
Acquisitions/increases		7	1 645	3 913	6 357	11 922
Disposals/decreases	(373)		(253)	(140)	(1 739)	(2 506)
Other changes	(1 790)	4 985	127	395	(4 729)	(1 012)
Currency translation adjustments	(4 701)	(14)	(1 171)	(4 886)		(10 772)
Closing balance	**71 858**	**32 786**	**62 508**	**64 855**	**12 264**	**244 272**
Depreciation & impairment						
Opening balance		(17 511)	(44 671)	(42 314)		(104 496)
Changes in consolidation scope						0
Currency translation adjustments			950	1 709		2 659
Allowances		(4 622)	(2 972)	(2 880)		(10 474)
Impairment charges						0
Disposals			164	139		303
Other changes				55		55
Closing balance	**0**	**(22 133)**	**(46 529)**	**(43 290)**	**0**	**(111 953)**
Opening net value	**78 479**	**10 297**	**17 488**	**23 260**	**12 376**	**141 900**
Closing net value	**71 858**	**10 653**	**15 979**	**21 565**	**12 264**	**132 320**

The change in "Advances and prepayments" comes from an increase in French intangible assets in progress (capitalised development costs) compared with the previous year.

Goodwill breaks down by geographical region as follows:

In € thousands	31/12/20	31/12/19
Europe	16 438	18 565
Americas	51 122	55 824
Asia	2 575	2 333
Other	1 723	1 757
Total	**71 858**	**78 479**

Data for 2019:

2019 **In € thousands**	**Goodwill**	**Development costs**	**Patents**	**Other intangible assets**	**Advances and prepayments**	**Total**
Gross amount						
Opening balance	62 528	23 285	55 156	58 560	8 452	207 981
Changes in consolidation scope	12 651			363		13 014
Acquisitions/increases		1	6 272	5 422	9 637	21 332
Disposals				(65)	(924)	(990)
Other changes	2 249	4 523	485	510	(4 788)	2 978
Currency translation adjustments	1 051	(1)	247	785		2 081
Closing balance	**78 479**	**27 808**	**62 159**	**65 574**	**12 376**	**246 396**
Depreciation & impairment						
Opening balance		(13 729)	(41 890)	(39 152)		(94 771)
Changes in consolidation scope				(278)		(278)
Currency translation adjustments			(210)	(339)		(549)
Allowances		(3 782)	(2 571)	(2 625)		(8 979)
Impairment charges						0
Disposals				13		13
Other changes				67		67
Closing balance	**0**	**(17 511)**	**(44 671)**	**(42 314)**	**0**	**(104 496)**
Opening net value	**62 528**	**9 556**	**13 266**	**19 408**	**8 452**	**113 210**
Closing net value	**78 479**	**10 297**	**17 488**	**23 260**	**12 376**	**141 900**

The increase in "Goodwill" is a result of the acquisition of companies by our US and UK subsidiaries.

The change in "Advances and prepayments" comes from an increase in French intangible assets in progress (capitalised development costs and acquisition of know-how) compared with the previous year.

Goodwill is tested for impairment at the end of each period on the basis of five-year plans approved by the Board of Directors. These tests are conducted using the discounted cash flow (DCF) method applied at the level of the cash-generating units (CGU) as described in note 4.3.

The discount rate and perpetuity growth rate used in 2020 to estimate recoverable value were 7.80% and 2.25% for the "Americas" CGU (2019: 8.20% and 2.50%), 8.20% and 3.00% for the "Asia" CGU (2019: 8.50% and 3.00%), 8.90% and 1.75% for the "Europe" CGU (2019: 8.30% and 2.00%) and 9.40% and 1.50% for the "Other" CGU (2019: 9.60% and 1.50%).

Goodwill tested amounted to €16.4 million for the Europe region and €2.6 million for the Asia region. Otherwise, goodwill amounted to €51.1 million for the Americas CGU and €1.7 million for Rest of the World.

The pre-tax discount rates used for these calculations correspond to the weighted average cost of capital (WACC) and are applied to post-tax cash flows. Their use results in the calculation of recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows, as required by IAS 36. The assumptions used for revenue projections and terminal values for the Americas, Asia and Europe CGUs are in line with the business plans drawn up and take into account, in particular, the strong worldwide growth in demand for water and sludge treatment products.

No impairment was recognised following tests carried out on CGU goodwill in 2020 and 2019. These tests are performed every year in the fourth quarter.

Sensitivity testing performed at 31 December 2020, in the case of a reasonable variation (+/- 0.5%) in the underlying discount rate and perpetuity growth rate assumptions, has confirmed the net book values of the different CGUs. We did not identify any reasonably likely scenarios that could necessitate a material impairment charge against goodwill.

7.2 Property, plant and equipment

Property, plant and equipment at 31 December 2020:

2020 In € thousands	Land	Buildings	Plant and equipment	Other PP&E	Fixed assets in progress	Advances and prepayments	Right-of-use assets	Total
Gross amount								
Opening balance	96 576	447 252	1 979 539	109 854	470 709	5 544	57 681	3 167 155
Changes in consolidation scope			4	28				32
Acquisitions/increases	773	3 233	29 580	3 930	222 678	428	13 600	274 223
Disposals	(157)	(3 445)	(31 853)	(785)			(5 483)	(41 723)
Other changes	120	34 959	162 254	4 242	(203 466)	0	0	(1 892)
Currency translation adjustments	(5 609)	(24 807)	(109 624)	(6 570)	(37 017)	(349)	(3 312)	(187 288)
Closing balance	**91 702**	**457 192**	**2 029 900**	**110 699**	**452 904**	**5 623**	**62 486**	**3 210 507**
Depreciation & impairment								
Opening balance	0	(164 661)	(879 207)	(60 052)	(1 555)		(13 535)	(1 119 010)
Changes in consolidation scope	0		(4)	(24)				(28)
Currency translation adjustments	0	7 988	48 902	3 238			1 211	61 339
Allowances	0	(18 956)	(156 973)	(7 552)			(11 172)	(194 652)
Other changes	0	1	405	(7)				399
Derecognition	0	2 103	26 892	664			1 335	30 995
Closing balance	**0**	**(173 525)**	**(959 984)**	**(63 734)**	**(1 555)**	**0**	**(22 161)**	**(1 220 958)**
Opening net value	**96 576**	**282 592**	**1 100 332**	**49 801**	**469 154**	**5 544**	**44 146**	**2 048 144**
Closing net value	**91 702**	**283 667**	**1 069 916**	**46 966**	**451 349**	**5 623**	**40 325**	**1 989 549**

Capital expenditure on property, plant and equipment in 2020 amounted to €274 million, mainly including the following items:

- United States: process improvement and increased capacity (€118 million);
- China: process improvement and increased capacity (€32 million);
- France: process improvement and increased capacity (€64 million);
- UK: increased capacity (€9 million);
- Brazil: increased capacity (€6 million);
- India: increased capacity (€14 million).
- South Korea: increased capacity (€8 million).

Interest expense capitalised in accordance with IAS 23 amounted to €8.2 million in 2020 (2019: €10.5 million).

Property, plant and equipment at 31 December 2019:

2019 In € thousands	Land	Buildings	Plant and equipment	Other PP&E	Fixed assets in progress	Advances and prepayments	Right-of-use assets	Total
Gross amount								
Opening balance	92 400	403 612	1 738 915	93 366	433 038	2 890		2 764 220
Changes in consolidation scope	2 245	2 436	4 390	679				9 749
Acquisitions/increases	758	7 189	28 490	7 579	273 426	6 059	22 475	345 977
Disposals	(176)	(8)	(16 650)	(706)	(3 261)			(20 801)
Other changes	602	30 465	207 041	7 704	(243 550)	(3 397)	35 291	34 156
Currency translation adjustments	748	3 559	17 352	1 232	11 056	(8)	(85)	33 853
Closing balance	**96 576**	**447 252**	**1 979 539**	**109 854**	**470 709**	**5 544**	**57 681**	**3 167 155**
Depreciation & impairment								
Opening balance	0	(145 674)	(749 289)	(52 338)	(1 555)			(948 855)
Changes in consolidation scope	0	(224)	(570)	(219)				(1 012)
Currency translation adjustments	0	(1 216)	(6 941)	(564)			35	(8 687)
Allowances	0	(17 074)	(138 776)	(7 088)			(11 626)	(174 564)
Other changes	0	(479)	1 387	(392)			(1 944)	(1 428)
Impairment charges								0
Derecognition	0	6	14 981	549				15 535
Closing balance	**0**	**(164 661)**	**(879 207)**	**(60 052,282)**	**(1 554,936)**	**0**	**(13 535)**	**(1 119 010)**
Opening net value	**92 400**	**257 938**	**989 627**	**41 028**	**431 483**	**2 890**	**0**	**1 815 365**

7.3 Equity interests

Non-current financial assets break down as follows:

2020 In € thousands	Non-consolidated investments	Other long-term investment securities	Receivables on interests	Loans	Deposits and guarantees	Other	Total
Gross amount							
Opening balance	38 872	164	2 273	4 583	5 974	1 329	53 195
Changes in consolidation scope	(37)			48		0	11
Acquisitions/increases	340	1	125	295	343		1 104
Disposals/repayments	0		(178)	(553)	(3 347)	(340)	(4 419)
Other changes		0	0	(237)		(316)	(554)
Currency translation adjustments	(110)	(5)	0	(62)	(264)	(43)	(484)
Closing balance	**39 065**	**160**	**2 220**	**4 072**	**2 707**	**630**	**48 853**
Provisions							
Opening balance	0	0	0	(29)	0	(82)	(111)
Changes in consolidation scope	0						0
Currency translation adjustments	0					2	2
(Allowances)/reversals	0		(2 441)	(182)			(2 623)
Impairment charges							0
Derecognition/other changes	0		396				396
Closing balance	**0**	**0**	**(2 044)**	**(211)**	**0**	**(80)**	**(2 336)**
Opening net value	**38 872**	**164**	**2 273**	**4 554**	**5 974**	**1 247**	**53 084**
Closing net value	**39 065**	**160**	**175**	**3 861**	**2 707**	**550**	**46 518**

Non-current financial assets consist mainly of equity interests in non-consolidated companies (€39.1 million) as described in note 6.4 "Non-consolidated companies".

2019

In € thousands	Non-consolidated investments	Other long-term investment securities	Receivables on interests	Loans	Deposits and guarantees	Other	Total
Gross amount							
Opening balance	32 939	151	2 609	9 271	2 050	1 971	48 991
Changes in consolidation scope	(2 289)					0	(2 289)
Acquisitions/increases	8 105	8	215	1 156	4 216	1 420	15 122
Disposals/repayments	0		(551)	(6 048)	(248)	(2 071)	(8 918)
Other changes		0	0	79		(3)	76
Currency translation adjustments	117	4	0	123	(44)	12	213
Closing balance	**38 872**	**164**	**2 273**	**4 583**	**5 974**	**1 329**	**53 195**
Provisions							
Opening balance	0	0	0	(38)	(112)	(84)	(233)
Changes in consolidation scope	0						0
Currency translation adjustments	0					1	1
(Allowances)/reversals	0			9	112		121
Impairment charges							0
Derecognition/other changes	0						0
Closing balance	**0**	**0**	**0**	**(29)**	**0**	**(82)**	**(111)**
Opening net value	**32 939**	**151**	**2 609**	**9 234**	**1 938**	**1 887**	**48 758**
Closing net value	**38 872**	**164**	**2 273**	**4 554**	**5 974**	**1 247**	**53 084**

7.4 Other non-current assets

Other non-current assets consist mainly of current account loans by SPCM, SNF HC and SNF UK to non-consolidated subsidiaries, which amounted to €4.7 million and €3.3 million for 2020 and 2019 respectively.

7.5 Inventories and work in progress

In accordance with note 4.5 "Inventories and work in progress", inventories are measured at the lower of cost price or market value.

The value of inventories at 31 December 2020 and 2019 broke down as follows:

In € thousands	31/12/20	31/12/19
Raw materials	176 585	230 585
Work in progress	11 489	11 051
Finished goods	238 416	260 930
Trade goods	76 744	80 248
Total	**503 233**	**582 813**

7.6 Trade receivables/receivables & payables on long-term contracts

7.6.1 Trade receivables

In € thousands	31/12/20	31/12/19
Trade receivables	527 409	581 023
Impairment	(15 434)	(8 924)
Total	**511 975**	**572 099**

"Trade receivables" primarily comprise amounts owing from customers relating to the Group's operations.

The fair value of trade receivables represents their carrying value given their short-term maturities (less than 1 year).
The financial position of customers is reviewed periodically and provisions are recorded for any bad debt risks in view of the age of the receivables and the customer's financial situation. During the year, the Group did not experience any significant difficulties with respect to the collection of trade receivables.

7.6.2 Trade receivables and payables on long-term contracts

Long-term contracts for which work is in progress are measured and presented as described in note 5.1.

In € thousands	31/12/20	31/12/19
Trade receivables	63 476	53 940
Trade payables	(40 471)	(61 761)
Percentage-of-completion method contracts in progress, net	**23 005**	**(7 820)**

7.7 Financial assets and other current receivables

In € thousands	31/12/20	31/12/19
Supplier advances and rebates receivable	30 107	37 050
Receivables to be invoiced	4 400	3 415
Social security receivables	1 929	1 164
Tax receivables	7 574	7 849
VAT receivables	22 700	29 831
Accrued income	2 000	2 400
Current account loans to non-consolidated subsidiaries	269	58
Customer portfolio management receivables	10 026	9 516
Operating grant receivable	3 646	4 796
Prepaid expenses	12 880	12 827
Customs duty receivable	2 408	3 415
Financial assets	12 011	9 265
First demand guarantee	3 983	
Other	4 003	5 545
Total	**117 937**	**127 132**

"Supplier advances and rebates receivable" fell sharply in 2020 (by €7 million), including €2 million from Chinese entities, €1.4 million from Russian entities, €1.2 million from French entities and €1 million from Indian entities.

The first demand guarantee was activated during the year by the banking institutions and was repaid at the start of 2021.

The reduction in VAT receivables was mainly due to a lower VAT credit in France (€7.2 million) and Brazil (€1.2 million). Our Brazilian subsidiary obtained the agreement of the local State Department of Finance to offset the ICMS tax asset.

"Customs duty receivable" concerns our US subsidiary and corresponds to rebates on customs duty related to products imported to the United States.

Receivables for customer portfolio management include security deposits and reserves for repayments relating to the implementation of a factoring agreement in France in 2009 (see note 4.7 above).

7.8 Net cash and cash equivalents

Net cash managed, including cash management financial assets, breaks downs as follows:

In € thousands	31/12/20	31/12/19
Marketable securities	388	353
Cash at bank	382 604	215 603
Gross cash and cash equivalents	**382 992**	**215 957**
Bank overdrafts	(24)	(82)
Net cash and cash equivalents	**382 968**	**215 874**
Cash management financial assets		
Listed securities (*)	56 100	24 622
Net cash managed	**439 068**	**240 496**

(*) Investments with a management term that does not meet IAS 7 criteria for classification as cash equivalents.

The securities of listed companies and marketable securities consist mainly of short-term investment securities carried at market price at 31 December for the period in question.

7.9 Equity

Breakdown of share capital

No changes were made to the share capital in 2019 and 2020.

At 31 December 2020, share capital amounted to €50.04 million divided into 4,549,000 shares each with a par value of €11. HFP SAS held 58.29% of SPCM's share capital.

Additional paid-in capital, retained earnings and reserves (before appropriation of earnings)

Undistributed earnings, including SPCM SA balance sheet reserves, amounted to €1,373.1 million at 31 December 2020 (31 December 2019: €1,129.3 million).

Treasury shares

The Group does not hold any treasury shares.

Dividends

SPCM paid a dividend of €0.22 per share for the 2019 financial year (29 June 2020 AGM) resulting in a total dividend payout of €1 million.

Policy for managing equity

The Company is not subject to any specific regulatory or contractual obligations with respect to its share capital. The Group does not have a particular policy regarding the management of equity. The balance between outside financing and raising funds by the issuance of new equity capital is determined on a case-by-case basis according to circumstances and needs. For the purpose of monitoring its equity, the Company integrates the same items used for its consolidated equity.

7.10 Non-controlling interests

The change in non-controlling interests among consolidated companies breaks down as follows:

In € thousands	31/12/20	31/12/19
Opening balance	27 382	20 867
Share of income of subsidiaries	6 156	4 957
Dividends paid to non-controlling interests	(800)	(2 856)
Changes in consolidation scope	0	4 299
Other changes	399	(60)
Currency translation adjustments	(774)	175
Total	**32 364**	**27 382**

The change in non-controlling interests in 2020 mainly results from the performance of these entities.

The change in non-controlling interests in 2019 mainly results from the first-time consolidation of Sooyang, a 51%-held distribution subsidiary based in Asia.

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7.11 Other provisions

Provisions break down as follows:

	31/12/20		31/12/19	
In € thousands	**Non-current**	**Current**	**Non-current**	**Current**
Pension and similar liabilities	52 119	1 077	44 247	1 195
Lawsuit contingency provisions	0	718	0	318
Other contingencies	773	476	793	2 628
Restructuring	0	0	0	2 062
Provisions for subsidiary customer risks	0	40	0	0
Tax risks	1 100	0	1 553	454
Total	**53 993**	**2 310**	**46 593**	**6 658**

Provisions are divided into current and non-current categories according to their respective portions applicable within or after one year.

Provisions for pensions and similar liabilities were increased **by €6 million** in 2020. This increase primarily results from the increase in headcount and the reduction of the discount rates.

	31 December 2020	31 December 2019
France	0.34% and 0.57%	1.04%
US	2.60%	4.35%

Changes in these provisions (excluding pensions and similar liabilities) for the year break down as follows:

In € thousands	**01/01/20**	**Additions**	**Reversals of unused provisions**	**Provisions used in the period**	**Other changes**	**31/12/20**
Lawsuit contingency provisions	318	399		0	0	718
Other contingencies	5 211	0	(1 988)	(2 357)	(33)	834
Provisions for subsidiary customer risks	272	330		(146)		456
Tax risks	2 007			(451)	(455)	1 100
Total	**7 809**	**729**	**(1988)**	**(2 954)**	**(488)**	**3 107**

Lawsuit contingency provisions

Certain subsidiaries are defendants in litigation and claims by third parties. Provisions for these contingencies have been estimated according to the principle described in note 4.10.

At 31 December 2020, lawsuit contingency provisions included:

	31/12/20		31/12/19	
In € thousands	**Current**	**Non-current**	**Current**	**Non-current**
Waste elimination contingencies	60	0	60	0
Local administration litigation/contingencies	0	1 100	454	1 553
Sales-related litigation/contingencies	456	0	272	0
Staff-related litigation/contingencies	718	0	613	0
Other litigation and contingencies	0	773	4 063	793
Total	**1 234**	**1 873**	**5 463**	**2 346**

It corresponds to provisions for loss on completion in respect of percentage-of-completion method contracts.

Tax risks with local authorities concern ICMS duties in Brazil (€1.1 million).

The reduction of provisions for "Other litigation and contingencies" concerns our Asian subsidiaries with, firstly, restructuring costs (€2.1 million) and, secondly, an increase in the provision for security expenses (€2 million).

The provision for restructuring costs relates to the valuation of production site dismantling costs at 31 December 2019, assessed on the basis of the provisional site closure costs. As a measure of prudence, the sale price does not include the right-of-use asset for the land to bear any unforeseen expenses.

7.12 Employee benefits and equivalent

7.12.1 Post-employment benefits

Assumptions

Provisions recorded for pension and similar liabilities in accordance with note 4.11 mainly concern France and the US.

These liabilities are determined by actuaries based on given assumptions that are reviewed each year.

	France		US	
Assumptions	**2020**	**2019**	**2020**	**2019**
Economic assumptions				
Wage growth rate*	1.8% to 3.5%	1.8% to 3.5%	2.98% to 6.20%	2.98% to 6.20%
Discount rate	0.34% & 0.57%	1,04%	2,60%	3,35%
Expected rate of return on plan assets	0.34% & 0.57%	1,04%	2,60%	3,35%
Average remaining working lives	15.6 years	15.6 years	17 years	17 years
Social security charge rate	40 to 50%	40 to 50%		
Demographic assumptions				
Retirement age	60 to 62 years	60 to 62 years	65 years	65 years
Employee mobility rate*	0.8% to 5%	0.8% to 5%	3% to 17%	3% to 17%
Mortality tables	TGH & TGF 05	TGH & TGF 05	PRI-2012	PRI-2012
	INSEE F/H 2013-2015			

* *Rates indicated depend on age and social and professional categories*

The investment rate of return is the same as the discount rate applied to the liability in accordance with Revised IAS 19.

Information on financial assets and recognised expenses

The liability and recognised expense break down as follows:

	31/12/20			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability	(22 032)	(108 105)	(2 321)	(132 459)
Present value of fund assets	1 590	79 144		80 734
UNDERFUNDED LIABILITY	**(20 442)**	**(28 961)**	**(2 321)**	**(51 725)**

	31/12/19			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability	(21 599)	(97 509)	(2 110)	(121 219)
Present value of fund assets	1 949	75 231		77 180
UNDERFUNDED LIABILITY	**(19 650)**	**(22 278)**	**(2 110)**	**(44 039)**

The detailed breakdown of changes in the financial position of plans at 31 December 2020 was as follows:

	31/12/20			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability				
Opening balance	(21 599)	(97 509)	(2 110)	(121 219)
Service costs	(1 628)	(3 203)	(579)	(5 410)
Interest costs	(207)	(3 179)		(3 386)
Past service costs	1 829	0		1 829
Benefit payments	403	1 757	310	2 471
Actuarial gains/(losses)	(831)	(15 628)		(16 459)
Currency translation adjustments		9 657	58	9 715
Closing balance	**(22 032)**	**(108 105)**	**(2 321)**	**(132 459)**
Present value of fund assets				
Opening balance	1 949	75 231	0	77 180
Return on plan assets	20	2 377		2 397
Employer contributions	0	3 505		3 505
Benefit payments	(392)	(1 757)		(2 149)
Actuarial gains/(losses)	13	6 567		6 581
Currency translation adjustments and other	0	(6 779)		(6 779)
Closing balance	**1 590**	**79 144**	**0**	**80 734**

The detailed breakdown of the financial position of plans at 31 December 2019 was as follows:

	31/12/19			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability				
Opening balance	(19 871)	(80 179)	(2 754)	(102 804)
Service costs	(1 895)	(2 824)	(521)	(5 241)
Interest costs	(352)	(3 436)		(3 787)
Past service costs		0		0
Benefit payments	826	1 461	1 194	3 481
Actuarial gains/(losses)	(307)	(13 976)		(14 284)
Currency translation adjustments		1 444	(29)	1 416
Closing balance	**(21 599)**	**(97 509)**	**(2 110)**	**(121 219)**
Present value of fund assets				
Opening balance	1 580	61 239	0	62 818
Return on plan assets	33	2 526		2 558
Employer contributions	328	3 573		3 901
Benefit payments	(111)	(1 461)		(1 573)
Actuarial gains/(losses)	119	8 221		8 341
Currency translation adjustments and other	0	1 134		1 134
Closing balance	**1 949**	**75 231**	**0**	**77 180**

In the United States, pension liabilities are partly covered by independent investment funds, the current value of which amounts to €79.1 million. These funds break down as follows:

- Bonds: 0%
- Equities: 45%
- Real estate: 55%

The value of independently managed funds at 31 December 2019 stood at €75.2 million with a similar breakdown to that of 2020.

In France, pension liabilities are funded via insurance companies and banks. These funds amount to €1.6 million and break down as follows:

- Money market: 73%
- Equities: 20%
- Bonds: 7%

For 2019, the breakdown was broadly similar to that of 2020.

The impact of changes in these plans on the financial statements breaks down as follows:

Balance sheet

				2020
In € thousands	**France**	**US**	**Other countries**	**Total**
Balance of the prior period	(19 650)	(22 278)	(2 110)	(44 039)
Costs of the period	(1 814)	(4 005)	(579)	(6 398)
Benefit payments net of fund reimbursements				0
Plan contributions		3 505		3 505
Actuarial gains/(losses)	(807)	(9 061)	310	(9 558)
Reclassifications	1 829			1 829
Currency translation adjustments and other		2 878	58	2 936
Closing balance	**(20 442)**	**(28 961)**	**(2 321)**	**(51 724)**

				2019
In € thousands	**France**	**US**	**Other countries**	**Total**
Balance of the prior period	(18 291)	(18 940)	(2 754)	(39 986)
Costs of the period	(2 215)	(3 734)	(521)	(6 470)
Benefit payments net of fund reimbursements	715			715
Plan contributions	328	3 573		3 901
Actuarial gains/(losses)	(188)	(5 755)	1 194	(4 749)
Reclassifications				0
Currency translation adjustments and other		2 578	(29)	2 550
Closing balance	**(19 650)**	**(22 278)**	**(2 110)**	**(44 039)**

Income statement

2020				
In € thousands	**France**	**US**	**Other countries**	**Total**
Annual service costs	1 626	3 203	579	5 408
Financial costs of the liability	208	3 179		3 387
Financial income from fund investments	(20)	(2 377)		(2 397)
Cost of the period (in operating income and expense)	**1 814**	**4 005**	**579**	**6 398**

2019				
In € thousands	**France**	**US**	**Other countries**	**Total**
Annual service costs	1 895	2 824	521	5 241
Financial costs of the liability	352	3 436		3 787
Financial income from fund investments	(33)	(2 526)		(2 558)
Cost of the period (in operating income and expense)	**2 215**	**3 734**	**521**	**6 470**

7.12.2 Other long-term benefits

Liabilities for length-of-service awards in France are reviewed by actuaries and amounted to €1.5 million at 31 December 2020.

The discount rate applied for 2020 was 0.34% (2019: 0.77%).

7.12.3 Sensitivity testing of the liabilities

In France, applying a 0.32% discount rate would increase the liability by some €0.7 million, while a 0.82% discount rate would lead to a €0.8 million reduction.
In the United States, a 2.35% discount rate would increase the liability by some €4.8 million, while a 2.85% discount rate would lead to a €4.5 million reduction.

7.13 Borrowings

7.13.1 Gross borrowings at 31 December 2020 and 2019

In € thousands	31/12/20	31/12/19
Bond debt	1 086 876	935 089
Bank borrowings	315 168	437 582
Lease liabilities	31 571	35 694
Other borrowings	3 972	3 359
Employee profit-sharing	463	797
Non-current borrowings	**1 438 050**	**1 412 521**
Bank borrowings	82 060	31 264
Employee profit-sharing	628	98
Other borrowings	1 512	2 510
Lease liabilities	10 541	10 059
Current borrowings	**94 741**	**43 931**
Gross borrowings	**1 532 791**	**1 456 452**

Borrowings are initially recognised at fair value net of directly attributable debt issuance costs. They are subsequently measured at amortised cost. Measurement of the effective interest rate includes interest payments and the amortisation of debt issuance costs. Debt issuance costs are amortised in financial expenses over the term of the loan using the EIR method.

SPCM currently has a renewable credit facility of €350 million initially maturing in July 2020. In an amendment to the agreement dated 31 July 2015, by way of a supplemental agreement signed on 22 June 2018, the final maturity date was extended to 31 July 2023 with two extension options of one year each, upon expiry of the first two one-year periods. The first extension option provided for by clause 4.6 of the agreement was granted on 23 July 2019, pushing back the final maturity date to 31 July 2025.

At 31 December 2020, €0 million had been drawn down (€39 million at 31 December 2019).

The breakdown of borrowings and debt by maturity is presented below:

In € thousands	31/12/20	31/12/19
< 1 year	94 741	43 931
1 to 2 years	127 802	84 819
2 to 3 years	6 290	132 790
3 to 4 years	2 810	515 412
4 to 5 years	395 850	41 655
> 5 years	905 298	637 846
Total	**1 532 791**	**1 456 452**

This syndicated credit facility was established for SPCM. This facility includes a *pari passu* clause with the other bond debts.

The interest rate applied to amounts borrowed corresponds to the benchmark rate in the borrowing currency plus a variable margin.

7.13.2 Covenants

The continued availability of the revolving line of credit is subject to compliance with financial ratios tested every 12 months at the end of the first half, or at the closing date of the fiscal year in question.

These ratios correspond to consolidated net debt divided by consolidated EBITDA, and consolidated EBITDA divided by consolidated interest expense. The definitions of consolidated net debt, consolidated EBITDA and consolidated interest expense are set out in the credit agreement signed in July 2015.

Under the 22 June 2018 amendment to the 31 July 2015 agreement, for each ratio test period the Group undertakes to maintain:

- a debt ratio equal to or less than 4.00, and
- an interest coverage ratio of at least 4.00.

The margin applicable to credit facilities is adjustable according to the debt ratio calculated for the fiscal year covered by the annual consolidated financial statements or the period ending 30 June of each year covered by the interim financial statements.

Covenants were in compliance in 2020 and 2019.

Breakdown of current borrowings:

In € thousands	**31/12/20**	**31/12/19**
Other borrowings	74 355	22 985
Lease liabilities	10 541	10 059
Current account borrowings	1 512	2 510
Bank overdrafts	24	82
Accrued interest on borrowings	7 681	8 197
Employee profit-sharing	628	98
Current borrowings	**94 741**	**43 931**

The "Other borrowings" line item reflects financing for working capital requirements of Chinese and Japanese subsidiaries and amounts borrowed to finance the acquisition of property and equipment for the UK, US and German subsidiaries.

The characteristics of these borrowings are as follows:

2020 In € thousands	Balance sheet amount	Issuance currency	Maturity	Effective rate
NON-CURRENT				
Employee profit-sharing	463	EUR	2 022	Fixed
Lease liabilities	31 571		2022 to 2026	Variable
Current account borrowings	3 972	EUR/GBP		Variable
Bond debt	1 086 876	EUR/USD	2025, 2026 and 2029	5.5% and 6%
Borrowings/France	309 074	EUR/USD	2022 to 2027	Fixed & variable
Borrowings/US	6 094	USD	2022 and 2023	Variable Libor
Borrowings/other countries	0	CNY		Variable
TOTAL NON-CURRENT	**1 438 050**			
CURRENT				
Employee profit-sharing	628	EUR	2021	Fixed
Lease liabilities	10 541		2021	Variable Euribor
Bank borrowings	24		2021	Variable
Borrowings/US	12 769	EUR	2021	Variable Libor
Current account borrowings	1 512	EUR/GBP	2021	Variable
Borrowings/France	67 679	EUR	2021	Fixed & variable
Borrowings/other countries	1 588		2021	Variable
TOTAL CURRENT	**94 741**			

7.13.3 Net borrowings

In € thousands	31/12/20	31/12/19
Non-current borrowings	1 438 050	1 412 521
Current borrowings	94 741	43 931
Gross borrowings	1 532 791	1 456 452
Gross cash managed	(439 092)	(240 579)
Derivatives		
Net borrowings	**1 093 699**	**1 215 874**

Net borrowings include all current and non-current borrowings less cash and readily realisable cash equivalents with maturities of less than one year.

7.13.4 Average cost of debt

The average pre-tax cost of debt for fiscal 2020 was 3.24%.

	2020	2019
Average cost of debt	3.24%	3.40%

This was determined on the basis of the average value of drawn-down credit lines over the year, adjusted for the weighted gross interest expense (including amortisation of debt issuance costs) for each category of debt.

7.14 Trade payables and other liabilities

Trade payables and other liabilities break down as follows:

	31/12/20		31/12/19	
In € thousands	**Non-current**	**Current**	**Non-current**	**Current**
Operating payables	2 781	313 962	2 968	373 300
Payables to fixed asset suppliers	150	25 015	7 552	39 254
Tax and social security liabilities	0	71 945	0	60 181
Other payables	17 989	63 141	21 769	79 421
TOTAL	**20 920**	**474 063**	**32 289**	**552 155**

The decrease in "Operating payables" and "Tax and social security liabilities" mainly results from the significant reduction in business volumes in 2020.

The change in "Other payables" results from the reduction in advances under percentage-of-completion method contracts in our oil business.

7.15 Book value and fair value of financial instruments

7.15.1 Financial instruments

The book value of financial assets and liabilities by accounting category defined under IFRS 9 is as follows:

31/12/20 In € thousands	Carrying value	Financial assets measured at FVTPL	Assets-Financial liabilities at amortised cost
ASSETS			
Equity instruments	39 065	39 065	
Other financial assets	9 799		9 799
Loans and financial receivables	8 421		8 421
Current account borrowings	4 972		4 972
Trade receivables	511 975		511 975
Cash and cash equivalents	439 092	439 092	
TOTAL	**1 013 324**	**478 157**	**535 167**
LIABILITIES			
Bonds	1 086 876		1 086 876
Other bank borrowings	397 204		397 204
Borrowings under finance lease agreements	42 112		42 112
Current account borrowings	5 484		5 484
Other borrowings	1 091		1 091
Bank overdrafts	24		24
Trade payables	341 908		341 908
TOTAL	**1 874 699**	**0**	**1 874 699**

The fair value of the €1,086.9 million high yield bond issues carried out by the Group (€700 million plus US$500 million, equivalent to €407.5 million) amounted to €1,139.2 million at 31 December 2020. The euro bonds are quoted at 102.5% and the USD bonds at 103.5% of par.

31/12/19 In € thousands	Carrying value	Financial assets measured at FVTPL	Assets-Financial liabilities at amortised cost
ASSETS			
Equity instruments	38 872	38 872	
Other financial assets	11 435		11 435
Loans and financial receivables	12 041		12 041
Current account borrowings	3 348		3 348
Trade receivables	572 099		572 099
Cash and cash equivalents	240 579	240 579	
TOTAL	**878 374**	**279 451**	**598 923**
LIABILITIES			
Bonds	935 089		935 089
Other bank borrowings	468 764		468 764
Borrowings under finance lease agreements	45 754		45 754
Current account borrowings	5 868		5 868
Other borrowings	895		895
Bank overdrafts	82		82
Trade payables	423 075		423 075
TOTAL	**1 879 527**	**0**	**1 879 527**

The fair value of trade receivables and other current receivables (assets held to maturity) represents their book value, given their short-term maturities.

Non-current financial assets mainly include non-consolidated equity interests, receivables on these interests and receivables due in more than one year. These assets are carried at their acquisition cost, which according to the Group's estimates represents their fair value in the absence of an active market.

Loans and borrowings, in the absence of quoted prices on an active market, are measured on the basis of future cash flows, item by item, discounted up to the closing date based on the rates observed on the market at period end for comparable types of debt instruments.

7.15.2 Cash and cash equivalents

The policy for managing financial risks is presented in note 7.15.

At 31 December 2020, the Group held securities of listed companies totalling €56.1 million and marketable securities totalling €0.4 million at various financial institutions, with a limited risk of default.

7.15.3 Fair value of financial instruments

The fair value of financial instruments held by the Group is calculated whenever it can be reliably estimated on the basis of market data for assets considering that they are not intended to be sold.

For this purpose, the Group uses the method for measuring financial instruments based on a hierarchy of fair value:

- Level 1: fair value is based on unadjusted quoted prices on markets for identical assets and liabilities;
- Level 2: fair value is based on observable level 1 quoted prices for the asset or liability in question, either directly (i.e. prices) or indirectly (i.e. data derived from prices);
- Level 3: fair value is based on data relating to the assets or liabilities that is not derived from observable market data.

The following table presents the fair value breakdown of these three levels for financial assets and liabilities measured at fair value:

	31 décembre 2020			
In € thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity interests		39 065		**39 065**
Cash and cash equivalents	439 092			**439 092**
Derivative liabilities		0		**0**

In 2017, we transferred equity interests to Level 2 in view of the valuation method applied.

	31 décembre 2019			
In € thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity interests		38 872		**38 872**
Cash and cash equivalents	240 579			**240 579**
Derivative liabilities				**0**

7.16 Management of risks relating to financial instruments

Management of credit risk, liquidity risk and market risk is centralised and monitored by the Finance Department. Based on changes in the Group's various exposures, positions are bought and sold to minimise risk.

7.16.1 Credit risk

In connection with its cash management activities, the Group has an exposure to credit risk. Market transactions are carried out within authorisation limits set by the Finance Department for each counterparty. For the Group, counterparties for financial instruments include:

- for trade receivables, accounts receivable (consisting mainly of receivables related to commercial arrangements with suppliers) for which the Group has trade payables for at least an equivalent amount;
- for cash and cash equivalents, banks or high quality institutions with excellent ratings from the rating agencies.

Impairment for trade receivables is recorded on a case-by-case basis when it is significantly likely that all or part of the amount will not be collected.

Aged trial balance for trade receivables

In € thousands	31/12/20		31/12/19	
Not due	368 396		382 044	
Due:	165 744		203 715	
- < 30 days overdue		79 225		89 106
- overdue 30 to 120 days		58 793		79 724
- > 120 days overdue		27 726		34 885
Provisions	(18 238)		(8 924)	
TOTAL	**515 901**	**165 744**	**576 835**	**203 715**

7.16.2 Liquidity risk

The Group has short and medium-term credit lines (see note 7.13) with top-tier banks that provide it with flexible sources of funds. Drawing on its internal analysis tools, the role of the Finance Department is to maintain sufficient liquidity at all times, by managing Group cash and ensuring secure financing in terms of duration and legal conditions. At 31 December 2020, €1,533 million out of total drawing rights of €1,907 million had been drawn down under credit facilities.

At 31 December 2020, undiscounted contractual flows (principal and interest) for the total outstanding amount of financial liabilities by maturity date broke down as follows:

at 31 December 2020

In € thousands	2021	2022	2023	2024	2025	> 5 yrs	Total	Carrying value
Derivative financial instruments	0						0	0
Trade and other payables	0	0		0	0		0	0
Drawdowns of credit facilities	94 559	127 643	6 278	2 799	395 841	905 289	1 532 409	1 532 409
Variable-rate finance leases	182	158	12	10	9	9	381	381
Other borrowings	0						0	0
Other payables								
Other financial liabilities								
TOTAL	**94 741**	**127 801**	**6 290**	**2 810**	**395 850**	**905 298**	**1 532 790**	**1 532 790**

at 31 December 2019

In € thousands	2020	2021	2022	2023	2024	> 5 yrs	Total	Carrying value
Derivative financial instruments	0						0	0
Trade and other payables	0	0		0	0		0	0
Drawdowns of credit facilities	43 766	84 656	132 624	515 401	41 649	637 845	1 455 942	1 455 942
Variable-rate finance leases	165	163	166	11	5	0	511	511
Other borrowings	0						0	0
Other payables								
Other financial liabilities								
TOTAL	**43 931**	**84 819**	**132 790**	**515 412**	**41 655**	**637 846**	**1 456 452**	**1 456 452**

7.16.3 Market risks

In connection with its operations, the Group may have various exposures to foreign exchange and interest rate risks. The policy for managing these risks is described below.

a) Foreign exchange risk

A large proportion of the Group's sales are in currencies other than the euro, particularly US dollars, pound sterling, Brazilian reals, Japanese yen, South Korean won and Chinese renminbi yuan. These sales in foreign currencies are primarily carried out by the Group's subsidiaries in their functional currency and consequently do not generate foreign exchange transaction risk at their level.

The Group's primary foreign exchange transaction risks arise from inter-company invoicing between Group companies when they invoice or purchase products or services in a currency other than their operating currency:

- For export transactions of production subsidiaries located in euro, dollar or renminbi yuan regions and exporting in their operating currency or US dollars rather than the local currency of the sales subsidiary;
- For import transactions of goods from external suppliers that invoice in US dollars.

The following table summarises the sensitivity of the Group's consolidated income statement to a 10% increase or decrease in exchange rates in relation to the euro linked to the translation of transactions recorded by the subsidiaries in foreign currencies.

	Contribution to the consolidated financial statements					**Sensitivity to fluctuations of the main currencies versus the euro**	
In € thousands	**EUR**	**USD**	**CNY**	**OTHER**	**TOTAL**	+10 %	-10%
Revenue	610 789	1 403 706	364 835	602 791	**2 982 121**	225 347	(225 347)
EBITDA	99 816	250 934	113 102	88 048	**551 901**	40 680	(40 680)
Operating profit	49 922	129 319	87 526	67 424	**334 191**	24 991	(24 991)

Because of the Group's international presence, its balance sheet is exposed to fluctuations in foreign exchange rates.
A change in the euro affects the translation in the consolidated balance sheet of assets and liabilities of subsidiaries stated in foreign currencies.

The following table summarises the sensitivity of the main balance sheet aggregates of the Group to a 10% increase or decrease in exchange rates in relation to the euro.

	Contribution to the consolidated financial statements						Sensitivity to fluctuations of the main currencies versus the euro	
In € thousands	**EUR**	**USD**	**CNY**	**JPY**	**OTHER**	**TOTAL**	+10 %	-10%
Gross borrowings	1 014 571	512 398	3 114	295	2 413	**1 532 791**	51 822	(51 822)
Trade receivables	115 602	166 618	102 435	14 897	112 424	**511 975**	39 637	(39 637)
Trade payables	80 690	140 466	57 785	5 329	29 692	**313 962**	23 327	(23 327)

b) Interest rate risk

The SPCM Group policy for managing interest rate risk is based on three objectives, covering security, liquidity and profitability. Management of interest rate risk is centralised and monitored on a periodic basis by the Finance Department.

Most (94.2%) of the Group's consolidated debt is at fixed rates.

In connection with its financing activities and based on an assessment of exposure to interest rate risk, SPCM SA may use financial instruments to reduce exposure and minimise interest costs. Use of such hedging instruments has not been made.

Breakdown of commitments subject to interest rate risks

In € thousands	Credit lines	Property finance leases
2021	9,409	0
2022	62,837	0
2023	0	0
2024	0	0
From 2025 onwards	12,224	
Rate	Euribor/Libor	
Hedging	None	

Analysis of gross borrowings by type of rate

At 31 December 2020, 94.2% of Group gross borrowings were at fixed rates, mainly consisting of the bond issues of €1,087 million, and 5.8% at floating rates.

Sensitivity analysis of interest rate risks

The analysis of sensitivity is based on the situation of the floating-rate portion of net debt at year-end, with no hedging instruments used at that date.
For interest rate risks, sensitivity corresponds to an immediate 1% increase or decrease in the yield curve relative to prevailing interest rates at year-end.

At 31 December 2020, the impact of an immediate 1% increase in all yield curves would increase the Group's net interest expense by €463 K. Group net income after tax at the actual tax rate would reduce by €315 K.

At 31 December 2020, the impact of an immediate 1% decrease in all yield curves would reduce Group net interest expense by €658 K. Group net income would increase by €447 K.

NOTE 8: NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1 Revenue

By type

In € thousands		31/12/20	31/12/19
Sales	(1)	2 907 354	3 244 943
Services		74 767	113 203
TOTAL		**2 982 121**	**3 358 147**

(1) Revenue from percentage-of-completion method contracts amounted to €45 million in 2020 and €60 million in 2019.

By geographical region

In € thousands	31/12/20	31/12/19
France	87 098	81 007
Europe	571 951	559 326
Americas	1 294 241	1 638 481
Asia	939 368	893 585
Other countries	89 464	185 746
TOTAL	**2 982 121**	**3 358 147**

8.2 Operating expenses

In € thousands		31/12/20	31/12/19
Cost of sales		(2 384 141)	(2 709 496)
Selling expenses		(133 355)	(132 289)
Research and development expenditure		(52 088)	(48 405)
General and administrative expenses		(78 347)	(74 802)
TOTAL	(1)	**(2 647 930)**	**(2 964 992)**

(1) Operating expenses on percentage-of-completion method contracts amounted to €40 million in 2020 and €51.1 million in 2019.

8.3 Staff costs

Breakdown of staff costs

In € thousands	31/12/20	31/12/19
Salaries and wages (excluding temporary personnel	(271 472)	(277 189)
Social security charges	(84 979)	(82 392)
Statutory and optional employee profit-sharing	(251)	0
Total staff costs	**(356 702)**	**(359 581)**

Breakdown of personnel at year-end by category

Personnel employed by consolidated companies break down as follows by category:

Category	31/12/20	31/12/19
Managers and senior executives	738	723
Technicians and supervisory staff	1 035	1 268
Office staff	1 335	1 026
Plant workers	3 276	3 433
TOTAL	**6 384**	**6 450**

8.4 Amortisation, depreciation and provisions

Amortisation, depreciation and provisions included under operating expenses concern the following items:

	31/12/20		31/12/19	
In € thousands	**Amortisation & depreciation**	**Provisions**	**Amortisation & depreciation**	**Provisions**
Development costs	(9 808)	(202)	(8 960)	(177)
Manufacturing costs	(185 561)	(3 651)	(164 830)	(330)
Marketing expenses	(3 129)	(8 429)	(2 451)	(2 067)
General expenses	(6 327)	(603)	(5 042)	317
Total	**(204 825)**	**(12 885)**	**(181 283)**	**(2 256)**

8.5 Non-recurring operating income and expenses

In € thousands	31/12/20	31/12/19
Tax litigation	300	(570)
Sales-related litigation	(2 873)	(7 154)
Site streamlining and operational restructuring costs	(57 412)	(8 842)
Other expenses and income	(6 098)	(5 184)
TOTAL	**(66 083)**	**(21 750)**

Tax litigation

In 2020, tax litigation corresponds the reversal of one provision.

In 2019, tax litigation primarily relates to tax payments following the tax audit in France.

Sales-related litigation

This item comprises, among other elements, lawyers' fees relating to patent litigation.

Site streamlining and operational restructuring costs

In 2020, these expenses related to the North America region (€51,9 million), where our fracking activities were hit particularly hard by the reduction in oil prices and where a restructuring plan was implemented and the supplementary costs related to the pandemic in France, the United States and China (€5.5 million);

In 2019, these costs mainly related to the costs involved in the closure of a production unit in China (€6.9 million).

Other expenses and income

This account includes other material operating income or expenses relating to extraordinary events that could affect the analysis and comparability of the Group's business.

In 2020, this item mainly consisted of:

- the cost of employee litigation in the United States (€1.2 million), France (€1.6 million) and exceptional logistic costs in France (€0.8 million);
- expenses related to inventory discrepancies identified in France (€2.5 million).

In 2019, this item mainly consisted of:

- €0.9 million in costs related to production stoppages in the United States, €0.4 million in exceptional transport costs due to strikes in France and €0.7 million in exceptional logistic costs in France;
- €1.8 million in expenses related to inventory discrepancies identified in India, and €0.7 million for those identified in the US and Saudi Arabia combined.

8.6 Net financial income/(expense)

In € thousands	31/12/20	31/12/19
Gross interest expense	(91 894)	(65 406)
Income from cash and cash equivalents	196	570
Other financial income and expenses	17 212	18 111
Currency gains/(losses)	(10 243)	7 607
Reversals of/(additions to) amortisation and provisions	(1 824)	(44)
Net financial income/(expense)	**(86 553)**	**(39 162)**

Gross interest expense includes €4 million in non-cash expenses, the amount shown on the cash flow statement being €87 million.

Foreign exchange gains and losses relating to transactions in foreign currencies are recognised under operating margin. Translation differences relating to financing activities are recognised under financial income and expense.

Gross interest expenses in 2020 include €35.1 million for the amortisation of costs relating to the previous high yield bond.

In 2020, other financial income and expenses mainly consisted of:

- capitalised interest of €5 million;
- €2.1 million of income from investments in and loans to non-consolidated entities;
- an €11.6 million increase in the fair value of investment securities.

In 2019, other financial income and expenses mainly consisted of:

- capitalised interest of €8 million;
- a €3.9 million loss on sale of financial assets;
- €2.5 million of income from investments in and loans to non-consolidated entities;
- a €4.7 million increase in the fair value of non-consolidated investments and a €3.8 million increase in the fair value of investment securities.

8.7 Income tax

Tax expense

In € thousands	31/12/20	31/12/19
Current income tax	(39 790)	(59 522)
Net deferred tax	(3 570)	(9 423)
Income tax	**(43 360)**	**(68 944)**
Including non-recurring tax effects	0	0
Total excluding non-recurring tax effects	**(43 360)**	**(68 944)**

Current income tax equals amounts paid or payable in the short term to tax authorities for the fiscal year in accordance with the rules and rates in force in the different countries.

In France, the Group benefits from rules allowing taxable income and losses to be offset between a parent company and subsidiaries that belong to a tax group. Under these rules the results of all companies included in the tax group are not impacted and the tax group does not generate any material tax savings with the exception of the immediate offset of losses against profits.

Analysis of tax expense

For 2020, the tax rate applicable in France was the basic rate of 31% plus a 3.3% social security contribution rate, giving a total rate of 32.023%.

The Group's effective tax rate, excluding non-recurring tax effects, amounted to 23.88% in 2020 compared to 20.86% in 2019.

The difference between the effective tax rate and the statutory French tax rate in 2020 breaks down as follows:

In € thousands	**31/12/20**	**31/12/19**
Normal tax rate	**32,02%**	**34,43%**
Consolidated book income before tax	181 556	330 528
Theoretical tax expenses at applicable rates	(58 140)	(113 801)
Effective tax expense	(43 360)	(68 944)
Variance between effective and theoretical tax expense	**14 780**	**44 856**
Impact of permanent differences	8 759	1 671
Impact of differences in tax rates	(28 117)	(39 600)
Impact of tax losses and tax credits	8 426	(5 840)
Impact of specific taxes and tax audits	(3 848)	(1 087)
Total	**(14 780)**	**(44 856)**
Effective tax rate	**23,88%**	**20,86%**

The change in the statutory tax rate reflects changes in the respective contributions of each taxable entity to Group pre-tax net income and the fact that some entities posted taxable income while others posted taxable losses.

Research tax credits akin to grants are classified under recurring operating income. At 31 December 2020, €5.4 million was recognised on that basis in respect of the French and US companies.

Deferred tax assets and liabilities

In € thousands	31/12/20	31/12/19
Non-current assets	(142 538)	(147 480)
On loss carryforwards	(8 426)	3 558
Pension liabilities	19 562	12 911
Elimination of inter-company profits	974	3 559
On other temporary differences	(3 438)	(1 861)
Total deferred taxes	**(133 866)**	**(129 313)**
Of which:		
Deferred tax assets	4 305	6 841
Deferred tax liabilities	(138 171)	(136 154)

Deferred taxes recognised on the balance sheet under "Fixed assets" result from temporary differences between the accounting and tax bases of those assets.

8.8 Net earnings per share

Item	31/12/20	31/12/19
Net income for the period	133 051	257 069
Net income for the calculation of diluted earnings per share	133 051	257 069
Number of shares outstanding at beginning of period	4 549 000	4 549 000
Weighted average number of shares before dilution	4 549 000	4 549 000
Weighted average number of shares with dilution	4 549 000	4 549 000
Basic earnings per share	**29,25**	**56,51**
Diluted earnings per share	**29,25**	**56,51**

NOTE 9: NOTES RELATING TO COMMITMENTS AND OTHER DISCLOSURES

9.1 Off-balance sheet commitments and collateral

In € thousands	31/12/20	31/12/19
Guarantees given to customs authorities	6 741	4 293
Guarantees given to customers (performance bonds, bid bonds)	73 398	98 033
Guarantees for debt of non-consolidated entities	0	0
Guarantees given to employees for time savings accounts and banks	4 574	4 574
Seveso and bank guarantees	6 466	7 536
Share of loans secured by collateral	24 922	38 856
TOTAL	**116 101**	**153 291**

The SPCM Group recognises obligations or commitments in connection with future payments:

In € thousands	Total	Payments due by period		
		< 1 year	1-5 years	> 5 years
Interest expense on borrowings	247 280	40 716	171 631	34 933
TOTAL	**247 280**	**40 716**	**171 631**	**34 933**

9.2 Related parties

9.2.1 Senior management (company directors)

a) Compensation of management bodies:

Compensation allocated for fiscal 2020 to members of the SPCM Management Committee and Board of Directors for their duties within Group subsidiaries amounted to €3.3 million. Compensation does not include variable components.

b) Attendance fees:

Attendance fees paid to directors in 2020 amounted to €0.2 million.

9.2.2 Relations with associates and non-consolidated companies:

The consolidated financial statements include transactions carried out by the Group in the course of its normal business operations with associates and non-consolidated subsidiaries. These transactions are carried out on arm's-length terms.

These items break down as follows in the income statement:

In € thousands	31/12/20	31/12/19
Operating income	74 376	68 556
Non-consolidated subsidiaries	56 460	53 005
Associates	17 916	15 551
Operating expenses	0	0
Non-consolidated subsidiaries	0	0
Associates	0	0
Other financial income and expenses	1 243	2 513
Non-consolidated subsidiaries	1 185	2 452
Associates	59	61

Assets and liabilities of the Group concerning related parties at year-end broke down as follows:

In € thousands	31/12/20	31/12/19
Loans or advances granted	12 095	11 218
Non-consolidated subsidiaries	11 894	11 017
Associates	201	201
Trade and other receivables	22 162	24 177
Non-consolidated subsidiaries	18 681	21 594
Associates	3 481	2 583
Trade and other payables	0	0
Non-consolidated subsidiaries	0	0
Associates	0	0

There are no other transactions to report with related parties as defined under IAS 24, i.e. shareholders, associates and joint ventures.

S.P.C.M. SA

Société anonyme

ZAC de Milieux
42160 ANDREZIEUX BOUTHEON

Statutory auditors' report on the consolidated financial statements

For the year ended December 31st, 2019

MICHEL TAMET & ASSOCIES

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42000 SAINT-ETIENNE

DELOITTE & ASSOCIES

106 cours Charlemagne
69002 LYON

S.P.C.M. SA

Société anonyme

ZAC de Milieux
42160 ANDREZIEUX BOUTHEON

Statutory auditors' report on the consolidated financial statements

For the year ended December 31st, 2019

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of S.P.C.M. SA

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of S.P.C.M. SA for the year ended December 31st, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31st, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to the note 2 "Statement of accounting policies" of the notes to the consolidated financial statements, which reflects a change in the accounting policy regarding the first application of IFRS 16 "Leases" from January 1st, 2019.

Justification of Assessments

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you that the assessments which, in our professional judgment, were of most significance in our audit of the financial statements addressed the appropriateness of the accounting principles used.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Specific Verifications

We have also performed in accordance with professional standards applicable in France the specific verifications required by law and regulations of the information pertaining to the Group presented in the management report of Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (code de commerce) is included in the Group's management report, it being specified that, in accordance with the provisions of Article L.823-10 of the code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Saint-Etienne and Lyon, March 12th, 2020

The statutory auditors

French original signed by

MICHEL TAMET & ASSOCIES	**DELOITTE & ASSOCIES**	
Michel TAMET	Dominique VALETTE	Guillaume VILLARD

SUMMARY OF THE CONSOLIDATED FINANCIAL STATEMENTS

Financial statements

1. Consolidated income statement
2. Consolidated statement of comprehensive income
3. Consolidated statement of financial position
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5. Consolidated statement of changes in equity

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Note 2	Statement of accounting policies
Note 3	Principles of consolidation
Note 4	Accounting principles
Note 5	Presentation of the income statement
Note 6	Information on consolidation
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

In € thousands	Notes	31/12/2019	31/12/2018
Goodwill	**7.1**	78,479	62,528
Other intangible assets	**7.1**	63,421	50,682
Right-of-use lease assets	**2.1**	44,146	
Property, plant and equipment	**7.2**	2,003,999	1,815,365
Investments in associates	**6.3**	5,378	4,433
Financial assets	**7.3**	38,872	32,939
Other non-current financial assets	**7.3**	14,212	15,819
Deferred tax	**8.7**	311	8,282
Other non-current assets	**7.4**	5,384	8,998
NON-CURRENT ASSETS		**2,254,202**	**1,999,046**
Inventories and work in progress	**7.5**	582,813	566,858
Trade receivables and other assets relating to contracts with customers	**7.6**	572,099	514,272
Other current receivables	**7.7**	117,867	115,948
Current tax	**8.7**	35,623	24,055
Current financial assets	**7.7**	9,265	4,096
Cash management financial assets	**7.8**	24,622	
Cash and cash equivalents	**7.8**	215,957	207,126
CURRENT ASSETS		**1,558,245**	**1,432,356**
TOTAL ASSETS		**3,812,447**	**3,431,402**

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

Equity and Liabilities

In € thousands	Notes	31/12/2019	31/12/2018
Share capital	**7.9**	50,039	50,039
Retained earnings and reserves		1,230,010	1,098,049
Net income for the period		257,068	118,894
EQUITY ATTRIBUTABLE TO THE GROUP		**1,537,116**	**1,266,982**
NON-CONTROLLING INTERESTS	**7.10**	**27,382**	**20,867**
TOTAL SHAREHOLDERS' EQUITY		**1,564,499**	**1,287,849**
Deferred tax	**8.7**	136,154	124,668
Non-current provisions	**7.11**	46,593	42,705
Non-current borrowings	**7.13**	1,376,827	1,406,949
Non-current lease liabilities		35,694	
Other non-current liabilities	**7.14**	32,289	25,698
NON-CURRENT LIABILITIES		**1,627,557**	**1,600,020**
Current provisions	**7.11**	6,658	2,596
Current borrowings	**7.13**	33,872	45,976
Current lease liabilities		10,059	
Trade payables	**7.14**	373,300	361,500
Other current liabilities	**7.14**	178,856	123,345
Current tax	**8.7**	17,647	10,117
CURRENT LIABILITIES		**620,392**	**543,533**
TOTAL EQUITY AND LIABILITIES		**3,812,447**	**3,431,402**

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

In € thousands	Notes	2019	2018
Revenue	**8.1**	3,358,147	3,023,290
Operating expenses	**8.2**	(2,964,992)	(2,753,726)
Other recurring operating income/(expenses)		(1,715)	1,531
RECURRING OPERATING INCOME		**391,440**	**271,095**
Non-recurring operating income/(expenses)	**8.5**	(21,750)	(26,981)
OPERATING INCOME		**369,690**	**244,115**
Gross interest expense		(65,406)	(60,843)
Income from cash and cash equivalents		570	387
Net interest expense	**8.6**	(64,836)	(60,456)
Other financial income and expenses	**8.6**	25,673	(17,898)
INCOME BEFORE TAX		**330,528**	**165,761**
Income tax	**8.7**	(68,944)	(43,736)
Share in earnings/(losses) of associates		441	504
NET INCOME BEFORE DISCONTINUED OPERATIONS		**262,025**	**122,529**
Profit/(loss) from discontinued operations		0	0
NET INCOME		**262,025**	**122,529**
Non-controlling interests		(4,957)	(3,634)
NET INCOME - GROUP SHARE		**257,068**	**118,894**
Basic earnings per share		56.51	26.14
Diluted earnings per share		56.51	26.14

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Notes	2019	2018
Consolidated net income		**257,068**	**118,894**
Hedging instruments		0	0
Currency translation adjustments		20,972	21,032
Taxation		0	0
Items subsequently posted to profit or loss		**20,972**	**21,032**
Actuarial gains/(losses)		(4,930)	(1,007)
Taxation		1,021	1,676
Items not posted to profit or loss		**(3,909)**	**669**
Total income and expenses directly recognised in equity		**17,064**	**21,701**
Comprehensive income/(loss) for the period		**274,131**	**140,595**
Attributable to owners of the parent		268,999	136,869
Attributable to non-controlling interests		5,133	3,726

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In € thousands	Notes	2019	2018
NET INCOME - GROUP SHARE		**257,068**	**118,894**
Depreciation, amortisation and provisions		193,394	155,611
Reversals of depreciation, amortisation and provisions		(5,691)	(5,665)
Grants transferred to net income		0	0
Undistributed earnings of associates		(441)	(503)
Gains/(losses) from asset disposals		1,842	(1,467)
Other items		(4,377)	2,644
Income attributable to minority interests		4,957	3,634
Income tax charge (current and deferred)		66,087	43,736
Gross interest expense	**8.6**	65,406	60,843
FREE CASH FLOW		**578,244**	**377,728**
Change in inventories and work in progress		(1,228)	(114,948)
Change in trade receivables		(1,592)	(111,371)
Change in trade payables		(8,675)	77,636
Change in other payables and receivables		3,193	1,706
Tax paid		(53,397)	(29,170)
Interest paid		(65,444)	(59,907)
NET CASH FROM OPERATING ACTIVITIES		**451,101**	**141,674**
Inflows from fixed asset disposals		4,511	10,087
Investments in property, plant and equipment and intangible assets		(334,896)	(324,820)
Financial investments		(11,298)	(9,733)
Acquisition of subsidiaries, net of cash acquired		(16,936)	0
Repayments of non-current financial assets		9,765	2,216
NET CASH FROM INVESTING ACTIVITIES		**(348,855)**	**(322,249)**
Change in borrowings		(67,830)	241,152
Share capital increases (reductions)		0	0
Dividends paid (including to minority interests)		(2,642)	(2,844)
NET CASH FROM FINANCING ACTIVITIES		**(70,472)**	**238,307**
Effect of changes in exchange rates		1,755	(1,440)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**33,529**	**56,292**
Opening cash and cash equivalents	**7.8**	207,126	150,734
Opening bank overdrafts		(159)	(59)
Closing cash managed		240,579	207,126
Closing bank overdrafts	**7.8**	(82)	(159)

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

Over the fiscal year ended 31 December 2019, long-term borrowings excluding changes in cash decreased by €13.9 million due to unrealised foreign exchange gains and losses.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousands	Share capital	Retained earnings and reserves	Currency translation adjustments	Equity attributable to the Group	Non-controlling interests	Total equity
Equity on January 1, 2018	**50,039**	**1,066,841**	**11,198**	**1,128,078**	**16,211**	**1,144,289**
Net income for the period		118,894		118,894	3,634	122,529
Gains and losses recognised in equity		669	21,032	21,701	92	21,793
Comprehensive income/(loss) for the period	**0**	**119,563**	**21,032**	**140,595**	**3,726**	**144,321**
Distribution of dividends		(2,832)		(2,832)	(13)	(2,844)
Share capital increase	0	0		0	0	0
Changes in consolidation scope		(1,241)	0	(1,241)	1,150	(91)
Other changes		(16,239)	18,621	2,382	(207)	2,175
Equity on December 31, 2018 (REPORTED)	**50,039**	**1,166,093**	**50,851**	**1,266,983**	**20,867**	**1,287,850**
Impact of IFRS 16		**(235)**		**(235)**	**0**	**(235)**
Equity on January 1, 2019 RESTATED	**50,039**	**1,165,858**	**50,851**	**1,266,748**	**20,867**	**1,287,615**
Net income for the period		257,069		257,069	4,957	262,026
Gains and losses recognised in equity		(3,909)	20,972	17,064	175	17,239
Comprehensive income/(loss) for the period	**0**	**253,161**	**20,972**	**274,133**	**5,133**	**279,266**
Distribution of dividends		0		0	(2,858)	(2,858)
Share capital increase	0	0		0		0
Changes in consolidation scope		(3,764)	0	(3,764)	4,299	535
Other changes		(29,167)	28,931	(236)	(58)	(294)
Equity on December 31, 2019	**50,039**	**1,386,322**	**100,755**	**1,537,116**	**27,382**	**1,564,499**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Founded in 1978, SPCM SA is a French limited company (société anonyme) subject to all laws and regulations governing trading companies in France and, in particular to the provisions of the French Commercial Code (Code de Commerce). The company's registered office is located in ZAC de Milieu, Andrézieux-Bouthéon (Loire), France. The Group designs, manufactures and sells a range of chemical products.

The Company's fiscal year runs from 1 January to 31 December.

The 2019 consolidated financial statements including notes thereto were approved by the SPCM SA Board of Directors on 11 March 2020. The information and accounting data presented below is expressed in thousands of euros, with the exception of earnings per share information, which is given in euros.

Note 1 – Highlights of the period and post balance sheet events

1.1 Highlights of the period

• Business activity in 2019

2019 saw strong growth in business volumes, with revenue increasing 11.1% over 2018. All Group regions contributed to this business growth. Falling commodity prices significantly impacted the gross margin, up to 36.84% in 2019 from 32.98% in 2018.

• 2019 capital expenditure

As part of its development, the Group continued to make significant capital expenditure in 2019. Purchases of property, plant and equipment for the year amounted to €346 million, compared to €302 million in 2018.

The increase in capital expenditure is in line with business growth and concerns increases in capacity, in particular in the US (€153m), China (€29m), France (€70m), India (€26m), the UK (€15m) and Brazil (€6m).

In 2018, capital expenditure was primarily focused in the US, France, China, India, the UK and Brazil.

- **Borrowings**

Gross borrowings at 31 December 2019 came to €1,456 million, up from €1,453 million at 31 December 2018.

2019 borrowings were impacted by the application of IFRS 16 - Leases, which gave rise to an additional €45.2m.

The main financing arrangements in 2019 include the grant of a €50 million bullet loan by a French bank, repayable at maturity on 14 May 2021 (with 2 one-year extension options) at a fixed rate of 0.75%.

New financing arrangements set up in 2018 mainly concerned a €180 million loan from the European Investment Bank (EIB) designed to support the Group's research and development program and help fund the construction of a new factory in France (Dunkerque).

By way of a supplemental agreement dated 22 June 2018, the €350 million revolving credit facility agreement dated 31 July 2015 was amended, including (i) an extension of the final maturity date to 31 July 2024 and (ii) adjustment of financial ratios: the debt ratio was increased from 3.5 to 4.

- **Status of litigation**

Patents: The SPCM Group is involved in litigation proceedings in a number of countries. The dispute in Australia was settled via the signing of an agreement giving rise to a €2.3 million expense recorded in the second half of 2019. The dispute with our subsidiary in Canada was settled in 2018. One lawsuit in the United States is pending and a court hearing took place in February 2020. The Group is confident about the outcome of this dispute, which is expected to be handed down in the second half of 2020. Therefore, no provisions for risks have been recorded.

- **EOR contracts**

The growth trend in the EOR percentage-of-completion contract business recorded in 2018 was confirmed in 2019, with revenue of €60 million (2018: €41m). The trend observed over the last two years is expected to continue over the coming years given the steady order backlog versus 2018.

- **Acquisition of equity interests**

In 2019, the Group invested €4 million in purchasing equity interests in non-consolidated companies, compared to a total of €6.4 million in 2018.

- **Other**

On 10 October 2015, Chinese subsidiary SNF Taixing was awarded the HNTE certificate by the local branch of the Ministry of Science and Technology, thus bringing its tax rate down from 25% to 15% for the 2015-2017 period. This certificate was renewed in November 2018 for a further three-year period (2018-2020). This preferential status may be revoked if the subsidiary fails to meet the criteria and disclosure requirements.

1.2 Post balance sheet events

The situation created by the coronavirus health crisis, in the current global epidemic context, remains uncertain. While it is difficult at this stage to measure the impact on the Group's business, it does not appear to be negative; the Group is implementing appropriate measures for its employees and customers in order to continue to meet their needs.

No other material events have occurred between the end of the reporting period (31 December 2019) and the date the Board of Directors approved the financial statements (11 March 2020) that could modify the financial information presented herein.

Note 2 - STATEMENT OF ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the general principles of IFRS: fair presentation, going concern, accrual basis of accounting, consistency of presentation, materiality and aggregation. The historical cost basis of accounting is applied to all assets, with the exception of financial assets and financial instruments measured at fair value.

The Group's financial statements are prepared in euros, the presentation currency as well as the functional currency of the parent company.

2.1 Basis of preparation

In accordance with the terms of the 23 June 2006 senior syndicated credit facility and the June 2006 high yield corporate bond issue, since 1 January 2006 the SPCM Group consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable for the fiscal year ended 31 December 2019.

IFRS guidelines may be consulted on the European Commission website at: (https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr).

The accounting policies applied are consistent with those used to prepare the 2018 consolidated financial statements with the exception of standards, amendments and interpretations adopted by the European Union effective 1 January 2019.

- **New standards and interpretations applicable from 1 January 2019**

The European Union adopted the following texts whose application is mandatory for fiscal year beginning 1 January 2019:

- IFRS 16 "Leases". The Group has opted for the first-time application of IFRS 16 using the simplified retrospective approach. The method adopted for the transition and impacts of the first application are set out in the note below. The rules for accounting for leases are also set out in the note below.

- Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement". This amendment specifies that, in the event of an amendment, curtailment or settlement of a defined benefit pension plan, the company must use actuarial assumptions that are updated to determine current service costs and net interest for the period in accordance with the changes made to the pension plan. It also specifies that the impact resulting from such cases on any plan surplus must be recognised on the income statement even if this surplus was not previously recognised. There were no amendments during the years presented.

The following texts have no impact on the Group's consolidated financial statements:

- IFRIC 23 "Uncertainty over Income Tax Treatments", which supplements the provisions of IAS 12 "Income Taxes" by specifying procedures for measuring and recognising uncertainty over income tax treatments. The analysis carried out did not lead to any additional liabilities being recorded for tax uncertainty.
- Annual improvements, 2015-2017 cycle for IAS 12, IAS 23, IFRS 3 and IFRS 11,
- Amendments to IFRS 9 "Pre-payment Features with Negative Compensation". The Group did not restructure any borrowings during the fiscal years presented,
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures".

- **Standards and interpretations adopted by the IASB and not yet applicable at 31 December 2019**

The Group did not apply in advance any new standards, amendments and interpretations, whether adopted or to be adopted by the European Union, due to come into force after 31 December 2019, whose application was therefore possible but not mandatory. These mainly include the following standards, amendments and interpretations:

- Amendments to IFRS 3, "Definition of a business", the adoption of which is planned for the first quarter of 2020,
- Amendments to IAS 1 and IAS 8 on the materiality threshold, published 10 December 2019,
- Amendments to references to the conceptual framework in IFRS, published 6 December 2019,
- Amendments to IFRS 7, IFRS 9 and IAS 39, published 16 January 2020.

The Group does not expect these standards, amendments and interpretations to have an impact on the consolidated financial statements.

- **First-time application of IFRS 16**

The SPCM Group has applied IFRS 16 "Leases" as of 1 January 2019, electing to apply the simplified retrospective approach.

At 1 January 2019, the Group applied the simplification measure provided for by IFRS 16 to contracts outstanding at that date that met the definition of a lease pursuant to IAS 17, IFRIC 4 and SIC 27. For leases entered into after 1 January 2019, the Group assesses whether the agreement is, or contains, a lease that grants the tenant the right to control the use of the identified asset for a set period of time in exchange for consideration.

The Group elected the following simplification measures:

- Calculation of the incremental borrowing rate as at first-time application, taking into account the initial term of the contract and not the remaining term,
- Exclusion of leases expiring during the 12 months following first-time application,
- Exclusion of initial direct costs from asset valuation,
- Using information acquired after the beginning of the lease, for example in determining the duration of leases that contain renewal or termination options,
- Not carrying out impairment tests, by adjusting the value of the asset by the amount of provisions recorded in the statement of financial position immediately preceding the date of first-time application, in the case of loss-making contracts. In practice, there were no loss-making contracts as at the first-time application date.

Lease liabilities recognised at 1 January 2019 were discounted to their present value on the basis of an average rate of 6% in the United States and 3.40% to 3.92% for the other regions.
In accordance with the provisions of IFRS 16 regarding the simplified retrospective approach, the comparative financial statements have not been restated. The main financial impact on balance sheet and income statement totals as at 1 January is presented below:

- Impact on opening shareholders' equity at 01/01/2019: €0.2 million; the impact is non-material,
- Increase in right-of-use assets: €29.4 million, i.e. 1.6% of the net book value of property, plant and equipment,
- Increase in financial liabilities related to lease obligations: €29.7 million,
- €1.2 million increase in 2019 operating income,

- €12.8 million increase in consolidated cash flow and €6.5 million increase in loan repayments.

The Group chose to recognise the net deferred taxes resulting from the application of IFRS 16. As at the transition date, the assets and liabilities resulting from the application of IFRS 16 had the same values and therefore no temporary differences were recognised.

The impact of the application of IFRS 16 at 1 January 2019 has been presented on a separate line item in the consolidated statement of changes in equity and in a specific column in the tables of changes in non-current assets and borrowings.

The Group has elected to present right-of-use assets and lease liabilities on a separate line item on the balance sheet.

The impacts of the first-time application of IFRS 16 on the Group's opening balance sheet at 1 January 2019 are presented below:

Consolidated balance sheet at 1 January 2019

Assets

In € thousands	31/12/2018 reported	Impacts of IFRS 16	01/01/2019 restated
Goodwill	62,528		62,528
Other intangible assets	50,682		50,682
Property, plant and equipment	1,815,365		1,815,365
Right-of-use lease assets		29,434	29,434
Investments in associates	4,433		4,433
Financial assets	32,939		32,939
Other non-current financial assets	15,819		15,819
Deferred tax	8,282		8,282
Other non-current assets	8,998		8,998
NON-CURRENT ASSETS	**1,999,046**	**29,434**	**2,028,480**
Inventories and work in progress	566,858		566,858
Trade receivables and other assets relating to contracts with customers	514,272		514,272
Other current receivables	115,948		115,948
Current tax	24,055		24,055
Current financial assets	4,096		4,096
Cash and cash equivalents	207,126		207,126
CURRENT ASSETS	**1,432,356**	**0**	**1,432,356**
TOTAL ASSETS	**3,431,402**	**29,434**	**3,460,836**

Equity and Liabilities

In € thousands	31/12/2018 reported	Impacts of IFRS 16	01/01/2019 restated
Share capital	50,039		50,039
Retained earnings and reserves	1,098,049	(238)	1,097,811
Net income for the period	118,894		118,894
EQUITY ATTRIBUTABLE TO THE GROUP	**1,266,982**	**(238)**	**1,266,744**
EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	**20,867**		**20,867**
TOTAL SHAREHOLDERS' EQUITY	**1,287,849**	**(238)**	**1,287,611**
Deferred tax	124,668		124,668
Non-current provisions	42,705		42,705
Non-current borrowings	1,406,949		1,406,949
Non-current lease liabilities		23,142	23,142
Other non-current liabilities	25,698		25,698
NON-CURRENT LIABILITIES	**1,600,020**	**23,142**	**1,623,162**
Current provisions	2,596		2,596
Current borrowings	45,976		45,976
Current lease liabilities		6,530	6,530
Trade payables	361,500		361,500
Other current liabilities	123,345		123,345
Current tax	10,117		10,117
CURRENT LIABILITIES	**543,533**	**6,530**	**550,063**
TOTAL EQUITY AND LIABILITIES	**3,431,402**	**29,434**	**3,460,836**

Reconciliation between off-balance sheet commitments and IFRS 16 lease liability

In € thousands	At 1 January 2019
Off-balance sheet commitments for operating leases at 31 December 2018	34,322
Impact of incremental borrowing rate on off-balance sheet commitments for operating leases at 31 December 2018	(3,309)
Off-balance sheet commitments for operating leases at 31 December 2018 discounted	31,013
Short-term leases and leases of low-value assets	(4,228)
Other adjustments not identified under off-balance sheet commitments	2,887
Lease liabilities at 1 January 2019	29,672

There are no accounting policies that contradict any IFRS standards mandatory for periods beginning on or after 1 January 2018, not yet adopted by the European Union, and which would have had a material impact on the financial statements for the year.

2.2 Use of estimates

In preparing the financial statements, estimates and assumptions are made that affect amounts recognised under assets and liabilities. These estimates are established, on the basis of the going concern principle, according to information available at that time. These estimates may be revised if the circumstances on which they were based change, or if subsequently modified or supplemented by new information. Actual future results may differ from these estimates.

The main estimates made by management in preparing these financial statements concern:

- assumptions adopted for the measurement of certain provisions, notably severance retirement benefits and long service awards;
- assumptions and estimates used for annual goodwill impairment tests;
- amounts recognised with respect to certain financial instruments;
- deferred taxes;
- the measurement of property, plant and equipment and intangible assets;
- the measurement of equity interests;
- percentage-of-completion contracts: Group policy is defined in note 5.1;
- provisions for impairment of current assets and current and non-current provisions;
- calculating lawsuit contingency provisions;
- evaluating the useful lives of certain property, plant and equipment.

The nature and amount of these estimates are presented in the detailed notes to the corresponding account headings.

The Group is not aware of any major change during the year in the uncertainties underlying such estimates and assumptions, except for high volatility in the discount rate used for calculating employee benefit liabilities. (see note 7.12)

Note 3 – CONSOLIDATION PRINCIPLES

3.1 Basis of consolidation

As stated above, the Group has applied the new consolidation principles.

The Group fully consolidates companies that it controls. Control for consolidation purposes is assessed based on IFRS 10 criteria, which include power over the relevant operations, exposure to variable returns and capacity to use its power to influence the level of those returns. A controlling interest is considered to exist for companies in which SPCM directly or indirectly holds at least 50% of the voting rights. To determine this control, potential voting rights that are immediately exercisable, including those held by another entity, are taken into account.

Companies in which the Group exercises significant influence are consolidated under the equity method.

Following an analysis of joint arrangements under IFRS 11 criteria, the Group did not identify any joint ventures or joint operations.

Shares in companies that do not meet these criteria are recognised under non-current financial assets. The consolidation of these companies would have a non-material effect on the consolidated financial statements, as they are entities whose potential losses are recognised in the form of impairment charges. Furthermore, these entities are financed by the Group, which accounts for virtually all their purchases or sales.

- The list of consolidated companies is presented in note 6.2.

- All transactions between consolidated companies are eliminated.

3.2 Business combinations

Business combinations are recognised using the acquisition method. This method involves recognising the assets acquired and liabilities and contingent liabilities assumed at fair value at acquisition date.

The difference between the purchase cost of the investment and the Group share of the companies' assets, liabilities and contingent liabilities at fair value, as identified as at the acquisition date, is recognised under goodwill. Acquisition costs for fully consolidated companies are expensed in the year when incurred. If less than 100% of a subsidiary's share capital is acquired, non-controlling interests are measured at the acquisition date, either at fair value or as the proportion of the identified net assets of the acquired company.

If the cost of acquisition is less than the fair value of the subsidiary's net assets, identifiable assets and liabilities are subject to an additional analysis and the resulting badwill gain is recognised directly in income.

Accounting for the business combination is finalised within one year following the date at which control is obtained.

3.3 Intercompany transactions

Transactions involving reciprocal assets/liabilities and income/expenses between fully consolidated companies are eliminated in the consolidated financial statements. These items are eliminated:

- in full if the transaction is between two controlled subsidiaries;
- for the percentage of the equity-accounted interest in the case of earnings between a fully consolidated company and a company consolidated under the equity method.

3.4. Translation of foreign subsidiaries' financial statements

In most cases, the functional currency of Group companies is their local currency. Transactions in foreign currency are converted by the subsidiary into their functional currency using the prevailing exchange rate as at the transaction date.

The Group applies the closing rate method for the translation of its subsidiaries' financial statements:

• Assets and liabilities in a functional currency other than the euro are translated at the closing rate, while income statement items are translated at the weighted average exchange rate for the period. All shareholders' equity accounts other than net income for the year are converted based on historical exchange rates;

• The resulting exchange difference is posted to other comprehensive income as a movement for the year. Currency differences are broken down under shareholders' equity.

Goodwill arising from the acquisition of a foreign entity is treated as an asset or liability of said entity and, therefore, is stated in the entity's functional currency and converted at the closing rate.

Currency differences are posted to income when the subsidiary is no longer consolidated due to sale, liquidation, etc.

3.5. Translation of transactions in foreign currency

Recognition and measurement of transactions in foreign currency are defined by IAS 21 "The Effects of Changes in Foreign Exchange Rates". Transactions in currencies other than the euro are recognised at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in these other currencies are translated at the closing rate. Currency gains and losses resulting from translation are recognised in the income statement for the year.

However, for non-monetary assets and liabilities, all changes in fair value, including exchange rate changes, are recognised according to the principles that apply to the corresponding categories of financial assets to which they belong.

3.6. Transactions between shareholders, acquisitions and disposals of non-controlling interests after the acquisition date

In accordance with IAS 27 revised, acquisitions or disposals of non-controlling interests not involving a change in control are considered as transactions with entities under common control. Under this approach, the difference between the price paid to increase the percentage of ownership in entities already controlled and the additional portion of share capital thus acquired is recorded under Group equity. In the same way, a reduction in the percentage of the Group's interest in an entity remaining under its control is accounted for under Group equity without impacting profit or loss.

Note 4 – ACCOUNTING PRINCIPLES

4.1. Intangible assets

4.1.1. Development costs

In accordance with IAS 38 "Intangible Assets", research costs are recognised as an expense, and development costs must be capitalised if they meet the following conditions:
• Technical feasibility for the entity to complete the intangible asset so that it will be available for use or sale
• Entity intends to complete the development project for use or sale
• Ability of the entity to use or sell the asset
• It is likely that the future economic benefits generated by the intangible asset will accrue to the entity
• The entity possesses adequate technical, financial and other resources to complete the development and to use or sell the asset
• The cost of this intangible asset can be accurately measured

Capitalised expenditure includes staff costs, cost of materials and services used and directly attributable to the project in question, as well as all expenses directly attributable to a development project that meets the conditions for capitalisation. These assets are amortised from the date on which the products are first marketed or the industrial processes concerned are first used, over the estimated duration of the economic benefits expected from the project.
These assets are amortised over a period of four years. This period corresponds to the average lifespan for a commercial reference based on the Group's experience in this area.
These assets are amortised starting from the release date for production of a new commercial reference.

Development costs that do not meet the criteria defined by this standard are expensed in the period in which they are incurred.

Based on these criteria, the gross value of development costs amounted to €27.8 million in 2019, and €6 million was capitalised for the year ended 31 December 2019.

4.1.2. Goodwill

Goodwill from consolidated companies is recognised on the balance sheet under "Goodwill".
As at the date when control is obtained, the excess of the purchase price over the net fair value of the acquiree's identifiable assets and liabilities is recognised under goodwill. The acquisition cost (or consideration transferred) is measured at the fair value of assets given, equity instruments issued or liabilities incurred or assumed at the acquisition date plus or minus any adjustments to the acquisition cost.

In accordance with IFRS 3 "Business Combinations", goodwill is not amortised. On the acquisition date, this goodwill is allocated to an identifiable cash-generating unit (CGU). Goodwill is tested for impairment at least once a year and whenever any evidence of impairment is identified. Procedures for conducting impairment tests and their recognition are given in note 4.3 "Impairment of fixed assets".

Goodwill is recorded in the balance sheet after deducting impairment losses that may be recognised. Impairment charges are recognised under "Recurring operating income" or "Non-recurring operating income and expenses" depending on the event underlying the impairment.

4.1.3. Other intangible assets

Other intangible assets are held in the balance sheet at cost less any cumulative amortisation and impairment losses. This item primarily concerns know-how and patents acquired in connection with the Group's activities and development, as well as software applications.

When they have finite useful lives, these assets are amortised on a straight-line basis over the periods corresponding to their estimated useful lives. The amortisation methods and useful lives are reviewed at least once a year. The estimated useful lives are as follows:

• Know-how for a period of 5 to 10 years according to the expected or foreseeable duration of the project
• Software over a period of 5 years

Assets with indefinite useful lives are not amortised and are subject to an impairment test once a year (see note 4.3).

Subsequent expenditure on intangible assets is capitalised only if it is probable that such expenditure will enable the asset in question to generate future economic benefits in excess of its originally assessed standard of performance. Other expenditure is recognised as an expense when incurred.

4.2. Property, plant and equipment

Property, plant and equipment is stated at cost plus any incidental acquisition expenses. Depreciation is calculated on a straight-line basis over the asset's useful life.

Major items of property, plant and equipment that are replaced at regular intervals, used for different purposes or that generate economic benefits over different periods and require the application of specific depreciation rates or methods, are recognised separately upon initial recognition and when replaced.

The depreciation periods applied are as follows:

• Buildings: 15 to 25 years
• Installations and improvements: 10 years
• Plant and machinery: 15 years
• Other PP&E: 5 to 8 years

Component accounting for major repairs is not applicable to the Group. Furthermore the company has not capitalised any dismantling or decontaminating costs that may result from an obligation to restore the site.
Borrowing costs attributable to the financing of an asset and incurred during the construction period are included in the value of the asset, representing qualifying assets within the meaning of IAS 23 "Borrowing Costs".

The Group has chosen not to apply the revaluation option offered under IAS 16. As a result, no property, plant and equipment has been revalued.

In compliance with IAS 17 "Finance Leases", fixed assets acquired through long-term finance leases or rental contracts are recognised at the lower of fair value and the present value of the minimum lease payments when such leases or contracts transfer to the lessee substantially all the risks and rewards from ownership of the asset; the resulting fixed asset is then depreciated according to the above procedures.

Liabilities resulting from finance lease accounting are recorded under borrowings.

Grants financing part or the full cost of an item of property, plant or equipment are recognised as deferred income on the balance sheet and as income on the income statement.

4.3. Impairment of fixed assets

In accordance with IAS 36 "Impairment of Assets", the net carrying value of property, plant and equipment and intangible assets is tested whenever there is evidence of impairment and reviewed at the end of each period. This test is performed at least once a year for fixed assets with an indefinite useful life including goodwill, and for fixed assets in progress.

Depreciated and amortised assets are subject to tests for impairment when, due to specific events or circumstances, there is evidence of impairment.

For the performance of these tests, fixed assets are grouped into cash-generating units (CGU). CGUs are homogeneous groups of assets whose continued use generates cash inflows largely independent of the cash inflows generated by other asset groups.

In practice, the cash-generating units correspond to a continental geographical region. Fixed assets attached to these CGUs primarily include equipment and other industrial installations (mainly buildings and machinery). Sales subsidiaries are attached to the CGU from which they primarily source their products, as they are the commercial outlets for the production sites and cannot therefore be disassociated from them.

The CGUs defined by the Group are as follows: Americas CGU, Asia CGU, Europe CGU and Other CGU. Details on the definition of CGUs are provided in note 7.1.

The impairment charge recorded amounts to the excess of the carrying amount of the CGU over its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

In practice, impairment tests are carried out in relation to the value in use of these units, calculated with reference to the present value of future net cash flows. Value in use calculation methods are stated under note 7.1.

Impairment thus calculated is first offset against goodwill, then against the CGU's other assets, up to their recoverable value.

Impairment charges for a CGU or an indefinite life asset are recorded under "Non-recurring income and expenses" or "Other operating income and expenses", depending on the origin of the impairment.

Goodwill impairment is only written back to the income statement if the related entity is deconsolidated due to sale, liquidation, etc., except for equity-accounted companies.

For non-financial assets (other than goodwill) having incurred impairment, the additional impairment charge or the reversal, as the case may be, is reassessed at the closing date of each year or interim period.

4.4. Financial instruments

The measurement and recognition of financial instruments are defined by IAS 39 "Financial Instruments: Recognition and Measurement". Financial assets and liabilities are recognised in the Group's balance sheet when it becomes a party to the contractual provisions of an instrument. They are initially recognised at cost, i.e. at the fair value of the consideration given or received. Transaction costs directly attributable to the acquisition or issuance of a financial asset or liability are included on initial valuation of all financial assets and liabilities. Acquisition costs include direct external transaction costs. These transaction costs are only attributed to financial assets and liabilities not measured at fair value through profit or loss. Transaction costs are posted to the income statement in accordance with IAS 39.43 and 46.

4.4.1. Financial assets

Financial assets include non-current financial assets (mainly non-consolidated investments), current assets representing operating receivables, debt securities or investment securities.

There are no investments held to maturity.

Financial assets are stated according to their classification under IFRS 9, depending on how they are managed, as presented below:

- **financial assets stated at fair value through profit or loss (FVTPL):** the analysis results in non-consolidated investments and cash investments being assigned to this item.

- **financial assets measured at fair value through other comprehensive income (FVOCI):** no financial asset falls under this definition for the fiscal years presented.

- **financial assets measured at amortised cost (AC):** according to the analysis, other non-current financial assets (deposits and guarantees, material loans, etc.), trade receivables and current financial assets other than cash and cash equivalents are assigned to this item.

There are no other material financial assets with a significant financing component.

The standard provides that, if an equity investment is not held for trading, an entity can make an irrevocable election to recognise changes in the fair value in other comprehensive income, with no possibility of recycling through profit or loss.

In the exceptional cases provided for by the standard (lack of recent and/or reliable information, too wide a range of estimated values), the Group has adopted cost as the most appropriate estimate of fair value.

The table below shows the change in allocation relating to the application of IFRS 9 for each category of the Group's financial assets as of 1 January 2018. The categories of financial liabilities remain the same; these have therefore not been presented.

In € thousands	Original classification under IAS 39	New classification under IFRS 9	Book value under IAS 39	New book value under IFRS 9
Equity instruments	Available for sale - at cost	FVTPL	22,140	27,120
Equity instruments	Available for sale - at fair value	FVTPL	13,288	13,288

4.4.2. Financial liabilities

Financial liabilities include borrowings, other financing, bank overdrafts and operating payables.

Borrowings are initially recognised at the amount received net of borrowing costs. Subsequently, borrowings are measured at the payable balance under the effective interest method.

Other financial liabilities (trade payables, etc.) are measured at amortised cost. They contain no financing component.

4.5. Inventories and work in progress

Raw materials and traded goods are carried at actual purchase cost under the FIFO method.
Work in progress and finished goods are measured at production cost, including utilities and supplies and the share of direct and indirect manufacturing costs.

When the gross value determined according to the conditions described above is greater than the net realisable value, a provision for impairment is recorded for the difference.
Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale (mainly selling expenses).

Borrowing costs are not included in the measurement of inventory because of the short duration of the manufacturing cycle.

4.6. Trade receivables and other current assets

Trade receivables and other current assets largely consist of amounts owed by customers or loans due in less than one year that represent financial current assets. Such assets are recognised at fair value which, in practice, is close to their face value. They are discounted when they exceed one year. A depreciation is recorded when the recoverable amount is lower than the book value. The book value takes into account criteria such as late payments, financial difficulties and disputes.

This item also includes employee and tax-related receivables, which are measured at face value.

4.7. Factoring

In light of the terms and conditions accorded to the Group following the revamped non-recourse factoring agreement dated 30 December 2011 with FACTO CIC and with Wells Fargo in the United States in early 2016, the Company records the cash received from the sale of the receivables under "Cash and cash equivalents" and security deposits under "Other current receivables", while assigned receivables (which amounted to €74.6 million comprising €43.6 million in France and €31 million in the United States) are derecognised, mainly for the following reasons:

- The rights to cash flows from the assets assigned do not expire on the date of assignment;
- The rights to receive cash flows from the assets are transferred to the assignee (factor);
- The risks and rewards are substantially transferred to the factor. It is expressly stipulated under the terms of the contract that the factor shall not have recourse against SNF, in the event of the default of the assigned debtor for receivables guaranteed, and that late payment penalties are transferred to the factor. Based on historical statistics of contracting companies, the risk of default and late payment is nevertheless very low for all receivables assigned;
- Control of the asset is not retained by the Group;

Accounting for this means of financing is analysed on the basis of the decision tree provided under IFRS 9.

4.8. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term investments in money markets as well as amounts made available to us by the factor but unused.
Such assets are recognised and carried at fair value based on the last known price for the year. Changes in fair value are taken to income.

Cash equivalents are liquid investments readily convertible into cash and subject to an insignificant risk of changes in value.

4.9. Income tax

Income tax expense and income include current tax expense (income) and deferred tax expense (income).

Current tax is the estimated tax due based on taxable income for the period. It also includes adjustments to amounts of current taxes of prior periods.
Deferred tax is calculated per entity under the balance sheet method. Temporary differences between book and tax values of assets and liabilities result in deferred tax in accordance with the liability method based on year-end tax rates.

Differences are considered temporary when it is highly probable they will be reversed in the foreseeable future. Deferred tax assets resulting from temporary differences or unused tax losses are only offset against deferred liabilities with the same maturity, unless it is highly probable that they will be offset against future taxable income within the foreseeable future - generally considered to be from one to five years, or if the Group has decided to set up an internal tax accounting arrangement.

In compliance with IAS 12 "Income Taxes", deferred tax assets and liabilities are not discounted.

For balance sheet presentation purposes, deferred tax assets and liabilities are offset at the level of each tax entity.

The regional economic contribution tax or CET (*contribution economique territoriale*) is comprised of two different levies - one assessed on business property (*contribution foncière des entreprises* or CFE) and the other on added value (*cotisation sur la valeur ajoutée des entreprises* or CVAE). This latter contribution is assessed on the basis of added value generated by the company over the year. The Group has decided that CVAE meets the definition of income tax as defined by IAS 12.

4.10. Provisions

In compliance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recorded only if all of the following criteria are met:

• The Group has a present obligation arising from a past event;
• It is probable that an outflow of resources entailing economic benefits will be required to settle the obligation; and
• A reliable estimate can be made of the amount of the obligation.

Provisions are recorded in compliance with the above three principles in the event of tax litigation, contingencies for non-consolidated subsidiaries or any other event meeting the definition of a liability. A review of all litigation was undertaken at the end of the reporting period by management and outside counsel, when necessary, to determine the amounts required to cover the estimated risk involved.

Information on contingent assets and liabilities is provided in the notes where necessary and when the impact is a material.

Restoration of sites

Provisions are recorded for future expenditure for the restoration of sites resulting from a legal or constructive obligation on the basis of a reasonable estimate of their fair value in the period in which the obligation arises.

As a reverse entry for this provision, the costs of restoring sites are capitalised, included in the value of the underlying asset and amortised over its useful life.

The impact of the passage of time on the provision for restoring sites is measured by applying a discount effect to the provision amount.

At 31 December 2019, Group management has not identified any significant future expenditure for the restoration of sites, whether involving environmental clean-up or dismantling, as defined above, calling for the recognition of a provision and an underlying asset.

4.11. Employee benefits

4.11.1 Retirement plans and other post-employment benefits

In some countries, the Group has an obligation to pay retiring employees either retirement severance benefits or pension payments in accordance with formal retirement plans. The Group also has an obligation to make contributions to pension funds in countries where its subsidiaries operate. The accounting treatment of these retirement liabilities varies according to applicable provisions of these plans.

• Defined contribution plans

Under defined contribution plans, payments are made to a third-party organisation that releases the employer from any subsequent obligation, while the organisation assumes responsibility for paying the pension to the employee. For this reason, contributions are recognised as expenses when they fall due.

- **Defined benefit plans**

In accordance with Revised IAS 19 "Employee Benefits", the corresponding liabilities are calculated annually by independent actuaries under the projected unit credit method, taking into account actuarial assumptions that are updated for each valuation. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to determine the final obligation. The final obligation is then discounted.

Each country defines the criteria to be used to perform the actuarial calculations. These include primarily the following variables: expected staff pay increases, life expectancy, staff turnover and the discount rate.

The discount rate is calculated with reference to government bonds having a maturity close to that of the liabilities.

Actuarial gains and losses resulting from changes in assumptions or differences in results for the plan's investments or liabilities are recognised immediately under other comprehensive income and are not written back to income.
Gains and losses from a change in plan are immediately recognised under income.

4.11.2 Other long-term benefits

Some subsidiaries pay bonuses when giving length-of-service awards. The method used for calculating these liabilities is the same as that used for defined benefit plans, the only difference being that the benefits are paid at predetermined dates. Actuarial gains and losses arising from the plan's liabilities and changes are immediately recognised in income.

Note 5 - PRESENTATION OF THE INCOME STATEMENT

5.1. Revenue

Revenue represents the value, excluding tax, of goods and services sold by consolidated companies during their normal operating activities after eliminating intercompany sales.

Revenue is recognised when control relating to owning the goods has been substantially transferred to the buyer.

Revenue is recognised at the fair value of the consideration received or receivable, i.e. after deducting amounts for trade discounts, rebates and related items.

Group companies whose activities fall under the scope of application of percentage-of-completion contracts include:

- PPC, which has entered into a construction contract to provide complete installations for the storage and preparation of products for petroleum injection as well as a wastewater treatment plant;
- FMI, whose activity consists in the construction of furnaces and drying installations for sludge treatment;
- SNF SA and SNF HC, which have been awarded several contracts for the installation of oil recovery units.

The Group recognises revenue and costs relating to long-term contracts according to the cost-based percentage of completion method:

- The percentage of completion applicable to the contract is determined according to the ratio between costs incurred to date and expected costs to complete.
- The margin on completion of the construction contract is estimated on the basis of analyses of costs and revenue on completion, which are periodically revised at regular intervals over the duration of the contracts.

Contract costs on completion include:

- Materials purchased, outsourced studies, the costs of various contracts and services that relate directly to the contract;
- Costs for the time of personnel directly assigned to the contract, including social security charges.

Percentage-of-completion contract costs do not include financial expenses.

Provisions are recorded for the full amount of any probable losses on the contract from the moment they are identified.

Revenue from a contract consists of costs incurred and the margin recognised on a cost-based percentage of completion calculated for the contract according to the aforementioned method.

Revenue recognition is based on a number of estimates determined by monitoring the progress of the work and taking into account possibilities for unforeseen events in light of past experience. Consequently, adjustments may be made to these initial estimates over the term of the contract that may have a material effect on future results.

5.2 Operating expenses

Operating expenses include the cost of sales, research and development expenditure, selling and administrative expenses.

5.3 Other operating income and expenses

- Recurring

"Other recurring operating income/(expenses)" includes capital gains and losses from the disposal of assets not attributable to sold or discontinued operations.

- Non-recurring

"Non-recurring operating income and expenses" consists of material items that are unusual, abnormal or infrequent in their occurrence. These are detailed in note 8.5 "Non-recurring operating income and expenses".

5.4 Operating income

Operating income includes all expenses and income not resulting from financing activities, associates, discontinued operations and income tax.

5.5 Interest expense

Net interest expenses include gross interest expenses, consisting of interest on borrowings under the effective interest method as well as amortisation of debt issuance expenses, from which income on cash investments is deducted.

5.6 Other financial income and expenses

"Other financial income and expenses" includes all other income and expenses relating to current borrowings and income and expenses relating to non-consolidated investments.

5.7 Earnings per share

Basic earnings per share is calculated using net income of the period attributable to the Group divided by the weighted average number of shares outstanding during the period.
Diluted earnings per share is identical to basic earnings per share as the Group does not have any equity instruments, such as stock options, or discontinued operations.

Note 6 – CONSOLIDATION SCOPE

6.1. Changes in Group structure

In 2019, the consolidation scope changed following the consolidation of:

- Korona, a distribution subsidiary based in Poland. Korona, which has exceeded our consolidation thresholds for two fiscal years in a row, is fully consolidated;
- Sooyang, an Asian company in which our subsidiary SNF Korea purchased a 51% equity stake for €5.8 million and which is fully consolidated. The buyout of minority interests is planned over the next seven years;
- the July 2019 acquisition by our US subsidiary of a distribution company for a fixed price of €15 million, involving i) immediate payment for 33.34% of the shares and, ii) a firm commitment to sell and buy 66.66% of the shares in May 2020 and May 2021. Provisional goodwill has been recorded in the amount of €10.1 million;
- the December 2019 acquisition by our English subsidiary of 100% of the shares of Rheolab for €5.2 million. This company is fully consolidated and provisional goodwill of €2.5 million was recorded.

In 2018, the consolidation scope changed following the acquisition of a 64.31% equity stake in a distribution company. This company, based in Asia, was purchased for €2.7 million and has been fully consolidated. No goodwill was recognised, given that the amount paid corresponds to the entity's equity.

HAP, a company wholly owned by SPCM, was deconsolidated following its winding up, as was Tecnochemical, a company held by SNF HC (United States), which was wound up in 2018.

6.2. Consolidated companies

The following companies were consolidated at 31 December 2019:

Entities	SIREN	Country	Ownership interest (%)	Consolidation method
SPCM S.A.	312 327 737	France	Parent company	
SNF SA	430 006 643	France	100%	Full consolidation
FMI S.A.	961 502 564	France	99.99%	Full consolidation
SNF Coagulants	821 155 124	France	100.00%	Full consolidation
SNF Property Ltd		Australia	100%	Full consolidation
SNF UK Holdings		United Kingdom	100%	Full consolidation
SNF Oil & Gaz		United Kingdom	100%	Full consolidation
Rheolab		United Kingdom	100%	Full consolidation
SNF Japan		Japan	90%	Full consolidation
Tomooka Kaken Co. Ltd		Japan	51%	Full consolidation

SNF Italy	Italy	99.49%	Full consolidation
SNF Iberica	Spain	100%	Full consolidation
SNF do Brazil	Brazil	100%	Full consolidation
Flopam Do Brasil	Brazil	100%	Full consolidation
SNF Taixing	China	100%	Full consolidation
SNF Korea	South Korea	100%	Full consolidation
Sooyang	South Korea	51%	Full consolidation
Flonex AG	Switzerland	100%	Full consolidation
SNF Waters SPRL	Belgium	100%	Full consolidation
SNF Mexico	Mexico	99.50%	Full consolidation
SNF Canada	Canada	100%	Full consolidation
SNF Vostok	Russia	100%	Full consolidation
Flopam LLC	Russia	100%	Full consolidation
SNF India	India	100%	Full consolidation
Flopam India	India	100%	Full consolidation
SNF Chile	Chile	100%	Full consolidation
PPC	Sultanate of Oman	99%	Full consolidation
SNF Saudi Arabia	Saudi Arabia	75%	Full consolidation
Flomin Quingdao Chemical	China	100%	Full consolidation
SNF Holding Company	US	100%	Full consolidation
SNF Inc.	US	100%	Full consolidation
Flomin Inc.	US	100%	Full consolidation
Flomin Coal	US	100%	Full consolidation
Polydyne Inc.	US	100%	Full consolidation
Chemtall Incorporated	US	100%	Full consolidation
Flocryl Inc.	US	100%	Full consolidation
Floquip Engineering	US	100%	Full consolidation
SNF Turkey	Turkey	100%	Full consolidation
Polychemie Inc.	US	100%	Full consolidation
Polychemie GmbH	Germany	100%	Full consolidation
Reiflock	Germany & Austria	100%	Full consolidation
Chemquest	South Africa	95%	Full consolidation
Biomontan	Austria	50%	Full consolidation
Korona	Poland	100%	Full consolidation
Appalachian Chemical Services	US	100%	Full consolidation
Global Environmental Solutions Inc.	US	100%	Full consolidation
SNF Rudong	China	100%	Full consolidation

There were no joint ventures operations.

6.3. Investments in associates

Investments in associates mainly involve manufacturing and commercial companies.

In € thousands	2019	2018
Gross amount		
Opening balance	4,433	3,804
Share in net income/(loss)	441.3	503
Changes in consolidation scope	0.0	0
First-time consolidation	0.0	0
Other changes	474.2	49
Currency translation adjustments	29.9	77
Closing balance	**5,378**	**4,433**

The contribution of associates to SPCM Group's financial statements as determined according to total assets (current and non-current), total liabilities (current and non-current), revenue and net income is not material. Goodwill exists for certain associates that have been tested in consequence according to the method described in note 7.1.

Direct and indirect holdings in these associates in which SPCM SA exercises a significant influence range between 25% and 50%.

6.4. Non-consolidated companies

As mentioned in note 3.1 "Basis of consolidation", certain companies controlled by the Group considered non-material in relation to the size of the Group have not been consolidated.

6.4.1 Details of non-consolidated companies at 31 December 2019

Amounts recognised under non-current financial assets are presented below:

In € thousands	Ownership interest (%)	31/12/2019	31/12/2018
		Fair value	
SNF Indonesia	100%	2,614	1,854
KF SNF Co. Ltd	85%	1,020	948
Ao Tong Holding Pty	100%	853	853
SNF Singapore	100%	539	855
BZF	100%	741	809
Sokoflok	99%	754	433
SNF Holland	100%	3,827	3,616
SNF Oman	99%	1,296	1,212
Flomin South America	100%	72	96
SNF Argentina	100%	4,299	2,220
Hymo	10%	4,752	4,430
SNF Nordic Ab	100%	1,782	1,067
SNF Finland	100%	674	394
SNF RSA	100%	641	1,262
BM Allied	40%	2,406	2,406
SNF Adriatic	100%	360	1,098
SNF Colombia	100%	829	643
PT SNF Polymers Indonesia	100%	4,506	1,374
Korona	100%	0	916
Saronfloc	100%	433	433
SNF Portugal	100%	3,361	1,186
SNF Thailand	43%	575	612
SNF HC subsidiaries		0	0
Other		2,537	4,224
Total		**38,872**	**32,939**

6.4.2 Changes in non-consolidated companies in fiscal 2019

In € thousands	2019	2018
Gross amount		
Opening balance	32,939	28,780
Acquisitions/increases	8,105	2,986
Disposals	0	0
Changes in consolidation scope	(2,289)	(180)
Other changes	0	1,243
Currency translation adjustments	117	109
Closing balance	**38,872**	**32,939**
Provisions		
Opening balance	0	(6,484)
(Allowances)/reversals	0	2
Disposals	0	0
Changes in consolidation scope	0	0
Other changes	0	6,484
Currency translation adjustments	0	(2)
Closing balance	**0**	**0**
Opening net value	32,939	22,297
Closing net value	**38,872**	**32,939**

Acquisitions made during the year were mainly related to share issues carried out by distribution subsidiaries in the Americas region.

Note 7 – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1. Intangible assets

In accordance with IAS 36 and IAS 38, indefinite life fixed assets, namely goodwill, are not amortised but rather subject to annual impairment tests. Details on procedures for impairment tests are provided in the note below.

Other finite life intangible assets are amortised on a straight line basis over their useful lives. Allowances for amortisation are recognised under the operating margin.

2019 In € thousands	Goodwill	Development costs	Patents	Other intangible assets	Advances and prepayments	Total
Gross amount						
Opening balance	62,528	23,285	55,156	58,560	8,452	207,981
Changes in consolidation scope	12,651			363		13,014
Acquisitions/increases		1	6,272	5,422	9,637	21,332
Disposals/decreases				(65)	(924)	(990)
Other changes	2,249	4,523	485	510	(4,788)	2,978
Currency translation adjustments	1,051	(1)	247	785		2,081
Closing balance	**78,479**	**27,808**	**62,159**	**65,574**	**12,376**	**246,396**
Depreciation & impairment						
Opening balance		(13,729)	(41,890)	(39,152)		(94,771)
Changes in consolidation scope				(278)		(278)
Currency translation adjustments			(210)	(339)		(549)
Allowances		(3,782)	(2,571)	(2,625)		(8,979)
Impairment charges						0
Disposals				13		13
Other changes				67		67
Closing balance	**0**	**(17,511)**	**(44,671)**	**(42,314)**	**0**	**(104,496)**
Opening net value	**62,528**	**9,556**	**13,266**	**19,408**	**8,452**	**113,210**
Closing net value	**78,479**	**10,297**	**17,488**	**23,260**	**12,376**	**141,900**

The increase in "Goodwill" is attributable to the acquisition of companies by our subsidiaries based in the United States and the United Kingdom.

The change in "Advances and prepayments" comes from an increase in French intangible assets in progress (capitalised development costs and acquisition of know-how) compared with the previous year.

Goodwill breaks down by geographical region as follows:

In € thousands	31/12/2019	31/12/2018
Europe	18,565	15,845
Americas	55,824	42,719
Asia	2,333	2,218
Other	1,757	1,745
Total	**78,479**	**62,528**

Data for 2018:

2018 **In € thousands**	**Goodwill**	**Development costs**	**Patents**	**Other intangible assets**	**Advances and prepayments**	**Total**
Gross amount						
Opening balance	67,907	17,032	51,171	54,459	7,909	198,479
Changes in consolidation scope	(7,137)		2,128	6		(5,003)
Acquisitions/increases		25	1,382	2,032	7,085	10,523
Disposals		(25)	(3)	(149)	(340)	(518)
Other changes	39	6,260	114	446	(6,202)	657
Currency translation adjustments	1,718	(7)	365	1,766		3,842
Closing balance	**62,528**	**23,285**	**55,156**	**58,560**	**8,452**	**207,981**
Depreciation & impairment						
Opening balance	0	(11,367)	(38,801)	(34,739)	0	(84,908)
Changes in consolidation scope			(101)	(5)		(105)
Currency translation adjustments			(432)	(741)		(1,173)
Allowances		(2,387)	(2,450)	(3,860)		(8,697)
Impairment charges						0
Disposals		25	3	139		168
Other changes			(110)	54		(56)
Closing balance	**0**	**(13,729)**	**(41,890)**	**(39,152)**	**0**	**(94,771)**
Opening net value	**67,907**	**5,665**	**12,370**	**19,719**	**7,909**	**113,571**
Closing net value	**62,528**	**9,556**	**13,266**	**19,408**	**8,452**	**113,210**

The decrease in "Goodwill" is a result of the dissolution of HAP, for which goodwill of €4.9 million had been recognised.

The change in "Advances and prepayments" comes from an increase in France of intangible assets in progress (capitalised development costs) compared to the previous year.

Goodwill is tested for impairment at the end of each period on the basis of five-year plans approved by the Board of Directors. These tests are conducted using the discounted cash flow (DCF) method applied at the cash-generating units (CGU) level as described in note 4.3.

The discount rate and perpetuity growth rate used in 2019 to estimate recoverable value were 8.20% and 2.50% for the "Americas" CGU (2018: 7.80% and 2.50%), 8.50% and 3.00% for the "Asia" CGU (2018: 8.50% and 3.00%), 8.30% and 2.00% for the "Europe" CGU (2018: 8.40% and 2.00%) and 9.60% and 1.50% for the "Other" CGU (2018: 9.90% and 2.00%).

Goodwill tested amounted to €18.6 million for the Europe region and €2.3 million for the Asia region. Otherwise, goodwill amounted to €55.8 million for the Americas CGU and €1.8 million for Rest of the World.

The pre-tax discount rates used for these calculations correspond to the weighted average cost of capital (WACC) and are applied to post-tax cash flows. Their use results in the calculation of recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows, as required by IAS 36. The assumptions used for revenue projections and terminal values for the Americas, Asia and Europe CGUs are in line with the business plans drawn up and take into account, in particular, the strong worldwide growth in demand for water and sludge treatment products.

No impairment was recognised following tests carried out on CGU goodwill in 2019 and 2018. These tests are performed every year in the fourth quarter.

Sensitivity testing performed at 31 December 2019, in the case of a reasonable variation (+/- 0.5%) in the underlying discount rate and perpetuity growth rate assumptions, has confirmed the net book values of the different CGUs. We did not identify any reasonably likely scenarios that could necessitate a material impairment charge against goodwill.

7.2. Property, plant and equipment

Property, plant and equipment at 31 December 2019:

2019 In € thousands	Land	Buildings	Plant and equipment	Other PP&E	Fixed assets in progress	Advances and prepayments	Right-of-use assets	Total
Gross amount								
Opening balance	92,400	403,612	1,738,915	93,366	433,038	2,890		2,764,220
Changes in consolidation scope	2,245	2,436	4,390	679				9,749
Acquisitions/increases	758	7,189	28,490	7,579	273,426	6,059	22,475	345,977
Disposals	(176)	(8)	(16,650)	(706)	(3,261)			(20,801)
Other changes	602	30,465	207,041	7,704	(243,550)	(3,397)	35,291	34,156
Currency translation adjustments	748	3,559	17,352	1,232	11,056	(8)	(85)	33,853
Closing balance	**96,576**	**447,252**	**1,979,539**	**109,854**	**470,709**	**5,544**	**57,681**	**3,167,155**
Depreciation & impairment								
Opening balance	0	(145,674)	(749,289)	(52,338)	(1,555)			(948,855)
Changes in consolidation scope	0	(224)	(570)	(219)				(1,012)
Currency translation adjustments	0	(1,216)	(6,941)	(564)			35	(8,687)
Allowances	0	(17,074)	(138,776)	(7,088)			(11,626)	(174,564)
Other changes	0	(479)	1,387	(392)			(1,944)	(1,428)
Derecognition	0	6	14,981	549				15,535
Closing balance	**0**	**(164,661)**	**(879,207)**	**(60,052.282)**	**(1,554.936)**	**0**	**(13,535)**	**(1,119,010)**
Opening net value	**92,400**	**257,938**	**989,627**	**41,028**	**431,483**	**2,890**	**0**	**1,815,365**
Closing net value	**96,576**	**282,592**	**1,100,332**	**49,801**	**469,154**	**5,544**	**44,146**	**2,048,144**

Capital expenditure on property, plant and equipment in 2019 amounted to €346 million, mainly including the following items:

- United States: increased capacity (€152 million);
- China: increased capacity (€29 million);
- France: construction of various buildings on the Andrézieux site (€3 million), increased capacity (€66 million);
- UK: increased capacity (€15 million);
- Brazil: increased capacity (€6 million);
- India: increased capacity (€26 million).

Interest expense capitalised in accordance with IAS 23 amounted to €10.5 million in 2019 (2018: €8.6 million).

Property, plant and equipment at 31 December 2018

In € thousands	Land	Buildings	Plant and equipment	Other PP&E	Fixed assets in progress	Advances and prepayments	Total
Gross amount							
Opening balance	102,339	342,904	1,538,272	85,036	380,740	2,051	2,451,343
Changes in consolidation scope	0	1,069	822	240	32		2,163
Acquisitions/increases	1,172	1,897	17,078	3,495	278,374	422	302,438
Disposals	(1,814)	(4,931)	(29,415)	(1,104)	(1,005)	(1,282)	(39,552)
Other changes	(9,486)	55,881	177,576	3,622	(223,837)	1,687	5,443
Currency translation adjustments	188	6,791	34,584	2,077	(1,267)	13	42,385
Closing balance	**92,400**	**403,612**	**1,738,915**	**93,366**	**433,038**	**2,890**	**2,764,220**
Depreciation & impairment							
Opening balance	0	(129,884)	(643,798)	(45,941)	(1,555)		(821,178)
Changes in consolidation scope	0	(232)	(296)	(101)			(630)
Currency translation adjustments	0	(2,382)	(14,182)	(990)			(17,553)
Allowances	0	(15,112)	(116,970)	(6,446)			(138,528)
Other changes	0	117	70	65			252
Derecognition	0	1,819	25,888	1,074			28,782
Closing balance	**0**	**(145,674)**	**(749,289)**	**(52,338)**	**(1,555)**	**0**	**(948,855)**
Opening net value	**102,339**	**213,020**	**894,474**	**39,095**	**379,185**	**2,051**	**1,630,165**
Closing net value	**92,400**	**257,938**	**989,627**	**41,028**	**431,483**	**2,890**	**1,815,365**

7.3. Equity interests

Non-current financial assets break down as follows:

2019 In € thousands	Non-consolidated investments	Other long-term investment securities	Receivables on interests	Loans	Deposits and guarantees	Other	Total
Gross amount							
Opening balance	32,939	151	2,609	9,271	2,050	1,971	48,991
Changes in consolidation scope	(2,289)					0	(2,289)
Acquisitions/increases	8,105	8	215	1,156	4,216	1,420	15,122
Disposals/repayments	0		(551)	(6,048)	(248)	(2,071)	(8,918)
Other changes		0	0	79		(3)	76
Currency translation adjustments	117	4	0	123	(44)	12	213
Closing balance	**38,872**	**164**	**2,273**	**4,583**	**5,974**	**1,329**	**53,195**
Provisions							
Opening balance	0	0	0	(38)	(112)	(84)	(233)
Changes in consolidation scope	0						0
Currency translation adjustments	0					1	1
(Allowances)/reversals	0			9	112		121
Impairment charges							0
Derecognition/other changes	0						0
Closing balance	**0**	**0**	**0**	**(29)**	**0**	**(82)**	**(111)**
Opening net value	**32,939**	**151**	**2,609**	**9,234**	**1,938**	**1,887**	**48,758**
Closing net value	**38,872**	**164**	**2,273**	**4,554**	**5,974**	**1,247**	**53,084**

Non-current financial assets consist mainly of equity interests in non-consolidated companies (€38.9 million) as described in note 6.4 "Non-consolidated companies".

The change in this item over the fiscal year mainly results from capital increases carried out at trading subsidiaries (€3.5 million) as well as the increase in the fair value of these non-consolidated securities (€4.7 million). The change in consolidation scope relates to shares in subsidiaries consolidated in 2019 (-€2.3 million).

Loans granted to non-consolidated subsidiaries in 2019 amounted to €12 million, compared to €11.8 million in 2018.

2018 In € thousands	Non-consolidated investments	Other long-term investment securities	Receivables on interests	Loans	Deposits and guarantees	Other	Total
Gross amount							
Opening balance	28,780	141	4,016	7,459	764	1,758	42,917
Changes in consolidation scope	(180)		0	(88)		0	(268)
Acquisitions/increases	6,356	1	93	2,422	723	1,173	10,768
Disposals/repayments	0		(1,500)	(204)	(27)	(1,005)	(2,737)
Other changes	(2,126)	0	0	(255)	584	(7)	(1,804)
Currency translation adjustments	109	9	0	(62)	6	53	115
Closing balance	**32,939**	**151**	**2,609**	**9,271**	**2,050**	**1,971**	**48,991**
Provisions							
Opening balance	(6,484)	0	0	(38)	(112)	(84)	(6,717)
Changes in consolidation scope	0						0
Currency translation adjustments	(2)					(0)	(2)
(Allowances)/reversals	2						2
Impairment charges							0
Derecognition/other changes	6,484						6,484
Closing balance	**0**	**0**	**0**	**(38)**	**(112)**	**(84)**	**(233)**
Opening net value	**22,297**	**141**	**4,016**	**7,421**	**652**	**1,674**	**36,201**
Closing net value	**32,939**	**151**	**2,609**	**9,234**	**1,938**	**1,887**	**48,758**

7.4. Other non-current assets

Other non-current assets consist mainly of current account loans by SPCM, SNF HC and SNF UK to non-consolidated subsidiaries, which amounted to €3.3 million and €7 million for 2019 and 2018 respectively.

7.5. Inventories and work in progress

In accordance with note 4.5 "Inventories and work in progress", inventories are measured at the lower of cost price or market value.

The value of inventories at 31 December 2019 and 2018 broke down as follows:

In € thousands	31/12/2019	31/12/2018
Raw materials	230,585	238,145
Work in progress	11,051	10,889
Finished goods	260,930	242,239
Trade goods	80,248	75,585
Total	**582,813**	**566,858**

7.6. Trade receivables/receivables & payables on long-term contracts

7.6.1 Trade receivables

In € thousands	31/12/2019	31/12/2018
Trade receivables	581,023	520,153
Impairment	(8,924)	(5,880)
Total	**572,099**	**514,272**

"Trade receivables" primarily comprise amounts owing from customers relating to the Group's operations.

The fair value of trade receivables represents their carrying value given their short-term maturities (less than 1 year).
The financial position of customers is reviewed periodically and provisions are recorded for any bad debt risks in view of the age of the receivables and the customer's financial position. During the year, the Group did not experience any significant difficulties with respect to the collection of trade receivables.

7.6.2 Trade receivables and payables on long-term contracts

Long-term contracts for which work is in progress are measured and presented as described in note 5.1.

In € thousands	31/12/2019	31/12/2018
Trade receivables	53,940	37,852
Trade payables	(61,761)	(24,541)
Percentage-of-completion contracts in progress, net	**(7,820)**	**13,311**

7.7. Financial assets and other current receivables

In € thousands	31/12/2019	31/12/2018
Advances, prepayments and discounts to suppliers	37,050	28,352
Receivables to be invoiced	3,415	8,079
Social security receivables	1,164	991
Tax receivables	7,849	6,613
VAT receivables	29,831	35,551
Accrued income	2,400	3,191
Current account loans to non-consolidated subsidiaries	58	146
Customer portfolio management receivables	9,516	9,087
Operating grant receivable	4,796	5,244
Prepaid expenses	12,827	7,928
Customs duty receivable	3,415	4,954
Financial assets	9,265	4,096
Other	5,545	5,813
Total	**127,132**	**120,044**

"Advances, prepayments and discounts to suppliers" increased sharply in 2019 (by €8.7 million), including €4.8 million from Chinese entities, €2.3 million from American entities and €1 million from Indian entities.

The increase in tax receivables is related to business growth.

The decrease in VAT receivables was mainly due to a lower VAT credit in France (€1.3 million) and China (€5 million). Our Brazilian subsidiary obtained the agreement of the local State Department of Finance to offset the ICMS tax asset.

"Customs duty receivable" concerns our US subsidiary and corresponds to rebates on customs duty related to products imported to the United States.

Receivables for customer portfolio management include security deposits and reserves for repayments relating to the implementation of a factoring agreement in France in 2009 (see note 4.7 above).

7.8. Net cash and cash equivalents

Net cash under management, which includes cash management financial assets, breaks down as follows:

In € thousands	31/12/2019	31/12/2018
Marketable securities	353	331
Cash at bank	215,603	206,795
Gross cash and cash equivalents	**215,957**	**207,126**
Bank overdrafts	(82)	(159)
Net cash and cash equivalents	**215,874**	**206,967**
Cash management financial assets		
Listed securities (*)	24,622	
Net cash managed	**240,496**	**206,967**

(*) securities with a management horizon that does not meet the criteria for classification as cash equivalents, as defined by IAS 7.

Shares in listed companies and marketable securities mainly include financial investments measured at market value at 31 December of the year in question.

7.9. Equity

Breakdown of share capital

No changes were made to the share capital in 2018 and 2019.

At 31 December 2019, share capital amounted to €50.04 million divided into 4,549,000 shares each with a par value of €11. HFP SAS held 58.29% of SPCM's share capital.

Additional paid-in capital, retained earnings and reserves (before appropriation of earnings)

Undistributed earnings, including SPCM SA balance sheet reserves, amounted to €1,129.3 million at 31 December 2019 (31 December 2018: €1,047.2 million).

Treasury shares

The Group does not hold any treasury shares.

Dividends

SPCM paid a dividend of €0.40 per share for the 2018 fiscal year (5 June 2019 AGM) totalling €1.8 million in the form of an interim dividend payout made on 31 December 2018.

Policy for managing equity

The Company is not subject to any specific regulatory or contractual obligations with respect to its share capital. The Group does not have a particular policy regarding the management of equity. The balance between outside financing and raising funds by the issuance of new equity capital is determined on a case-by-case basis according to circumstances and needs. For the purpose of monitoring its equity, the Company integrates the same items used for its consolidated equity.

7.10. Non-controlling interests

The change in non-controlling interests among consolidated companies breaks down as follows:

In € thousands	31/12/2019	31/12/2018
Opening balance	20,867	16,211
Share of income of subsidiaries	4,957	3,634
Dividends paid to non-controlling interests	(2,856)	(13)
Changes in consolidation scope	4,299	1,150
Other changes	(60)	(207)
Currency translation adjustments	175	92
Total	**27,382**	**20,867**

In 2019, the change in minority interests was mainly due to the consolidation of Sooyang, a 51% held distribution subsidiary based in Asia.

The change in minority interests in 2018 mainly results from the improvement in the profit margins of these entities.

7.11. Other provisions

Provisions break down as follows:

	31/12/2019		31/12/2018	
In € thousands	**Non-current**	**Current**	**Non-current**	**Current**
Pension and similar liabilities	44,247	1,195	40,058	1,256
Lawsuit contingency provisions	0	318	0	318
Other contingencies	793	2,628	787	459
Restructuring	0	2,062		128
Provisions for subsidiary customer risks	0	0	188	135
Tax risks	1,553	454	1,672	300
Total	**46,593**	**6,658**	**42,705**	**2,596**

Provisions are divided into current and non-current categories according to their respective portions applicable within or after one year.

Provisions for pensions and similar liabilities were increased by €4 million in 2019. This increase is mainly due to the increase in payroll and the decrease in discount rates.

	31 December 2019	31 December 2018
France	1.04%	1.82%
US	4.35%	3.75%

Changes in these provisions (excluding pensions and similar liabilities) for the year break down as follows:

In € thousands	01/01/2019	Additions	Reversals of unused provisions	Provisions used in the period	Other changes	31/12/2019
Lawsuit contingency provisions	318	0		0	0	318
Other contingencies	1,502	3,856		(141)	(5)	5,211
Provisions for subsidiary customer risks	195	265		(188)		272
Tax risks	1,972	154		(95)	(24)	2,007
Total	**3,988**	**4,274**	**0**	**(424)**	**(29)**	**7,809**

Lawsuit contingency provisions

Certain subsidiaries are defendants in litigation and claims by third parties. Provisions for these contingencies have been estimated according to the principle described in note 4.10.

At 31 December 2019, lawsuit contingency provisions included:

	31/12/2019		31/12/2018	
In € thousands	**Current**	**Non-current**	**Current**	**Non-current**
Waste elimination contingencies	60	0	60	0
Local administration litigation/contingencies	454	1,553	300	1,672
Sales-related litigation/contingencies	272	0	0	188
Staff-related litigation/contingencies	613	0	318	0
Other litigation and contingencies	4,063	793	662	787
Total	**5,463**	**2,346**	**1,340**	**2,647**

Provisions for subsidiary customer risks

These include provisions for losses on completion relating to percentage-of-completion contracts.

Tax risks with local authorities concern ICMS duties in Brazil (€1.6 million) and the tax audits in France (€0.3 million) and Saudi Arabia (€0.2 million).

The increase in provisions for "litigation and contingencies" concerns the Asian subsidiaries, including i) restructuring costs of €2.1 million, and ii) an increase in provisions for security expenses (€2 million).

Provisions for restructuring costs relate to the estimated cost of dismantling a production site. As a precaution, the price for the right to use the land has not been taken into account to cover any unforeseen costs.

7.12. Employee benefits and equivalent

7.12.1 Post-employment benefits

Assumptions

Provisions recorded for pension and similar liabilities in accordance with note 4.11 mainly concern France and the US.

These liabilities are determined by actuaries based on given assumptions that are reviewed each year.

	France		US	
Assumptions	**2019**	**2018**	**2019**	**2018**
Economic assumptions				
Wage growth rate*	1.8% to 3.5%	1.8% to 3.5%	2.98% to 6.20%	2.98% to 6.20%
Discount rate	1.04%	1.82%	3.35%	4.35%
Expected rate of return on plan assets	1.04%	1.82%	3.35%	4.35%
Average remaining working lives	15.6 years	14.8 years	17 years	18 years
Social security charge rate	40 to 50%	40 to 50%		
Demographic assumptions				
Retirement age	60 to 62 years	60 to 62 years	65 years	65 years
Employee mobility rate*	0.8% to 5%	0.8% to 5%	3% to 17%	3% to 17%
Mortality tables	TGH & TGF 05 INSEE F/H 2013-2015	TGH & TGF 05	PRI-2012	RP 2006

** Rates indicated depend on age and social and professional categories*

The investment rate of return is the same as the discount rate applied to the liability in accordance with Revised IAS 19.

Information on financial assets and recognised expenses

The liability and recognised expense break down as follows:

	31/12/2019			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability	(21,599)	(97,509)	(3,513)	(122,622)
Present value of fund assets	1,949	75,231		77,180
UNDERFUNDED LIABILITY	**(19,650.208)**	**(22,278)**	**(3,513)**	**(45,442)**

	31/12/2018			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability	(19,871)	(80,179)	(2,754)	(102,804)
Present value of fund assets	1,580	61,239		62,818
UNDERFUNDED LIABILITY	**(18,291)**	**(18,940)**	**(2,754)**	**(39,986)**

The detailed breakdown of changes in the financial position of plans at 31 December 2019 was as follows:

	31/12/2019			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability				
Opening balance	(19,871)	(80,179)	(2,754)	(102,804)
Service costs	(1,895)	(2,824)	(521)	(5,241)
Interest costs	(352)	(3,436)		(3,787)
Past service costs		0		0
Benefit payments	826	1,461	1,194	3,481
Actuarial gains/(losses)	(307)	(13,976)		(14,284)
Currency translation adjustments		1,444	(29)	1,416
Closing balance	**(21,599)**	**(97,509)**	**(2,110)**	**(121,219)**
Present value of fund assets				
Opening balance	1,580	61,239	0	62,818
Return on plan assets	33	2,526		2,558
Employer contributions	328	3,573		3,901
Benefit payments	(111)	(1,461)		(1,573)
Actuarial gains/(losses)	119	8,221		8,341
Currency translation adjustments and other	0	1,134		1,134
Closing balance	**1,949**	**75,231**	**0**	**77,180**

The detailed breakdown of the financial position of plans at 31 December 2018 was as follows:

	31/12/2018			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability				
Opening balance	(17,614)	(76,951)	(2,123)	(96,687)
Service costs	(1,512)	(3,125)	(570)	(5,206)
Interest costs	(290)	(2,990)		(3,280)
Past service costs		0		0
Benefit payments	87	1,362		1,449
Actuarial gains/(losses)	(544)	5,175		4,631
Currency translation adjustments		(3,649)	(61)	(3,710)
Closing balance	**(19,871)**	**(80,179)**	**(2,753)**	**(102,803)**
Present value of fund assets				
Opening balance	1,479	59,447	0	60,926
Return on plan assets	27	2,215		2,242
Employer contributions	300	2,882		3,182
Benefit payments	(162)	(1,362)		(1,524)
Actuarial gains/(losses)	(64)	(4,763)		(4,827)
Currency translation adjustments and other	0	2,819		2,819
Closing balance	**1,580**	**61,238**	**0**	**62,818**

In the United States, pension liabilities are partly covered by independent investment funds, the current value of which amounts to €75.2 million. These funds break down as follows:

- Bonds: 54%
- Equities: 44%
- Real estate: 2%

The value of independently managed funds at 31 December 2018 stood at €61.2 million with a similar breakdown to that of 2019.

In France, pension liabilities are funded via insurance companies and banks. These funds amount to €1.4 million and break down as follows:

- Money market: 70%
- Equities: 22%
- Bonds: 8%

For 2018, the breakdown was broadly similar to that of 2019.

The impact of changes in these plans on the financial statements breaks down as follows:

Balance sheet

				2019
In € thousands	**France**	**US**	**Other countries**	**Total**
Balance of the prior period	(18,291)	(18,940)	(2,754)	(39,986)
Costs of the period	(2,215)	(3,734)	(521)	(6,470)
Benefit payments net of fund reimbursements	715			715
Plan contributions	328	3,573		3,901
Actuarial gains/(losses)	(188)	(5,755)	1,194	(4,749)
Reclassifications				0
Currency translation adjustments and other		2,578	(29)	2,550
Closing balance	**(19,650)**	**(22,278)**	**(2,110)**	**(44,039)**

				2018
In € thousands	**France**	**US**	**Other countries**	**Total**
Balance of the prior period	(16,135)	(17,504)	(2,123)	(35,762)
Costs of the period	(1,775)	(3,900)	(570)	(6,245)
Benefit payments net of fund reimbursements	(75)			(75)
Plan contributions	300	2,882		3,182
Actuarial gains/(losses)	(608)	412		(196)
Reclassifications				0
Currency translation adjustments and other		(830)	(61)	(891)
Closing balance	**(18,292)**	**(18,940)**	**(2,754)**	**(39,986)**

Income statement

In € thousands	France	US	Other countries	2019 Total
Annual service costs	1,895	2,824	521	5,241
Financial costs of the liability	352	3,436		3,787
Financial income from fund investments	(33)	(2,526)		(2,558)
Cost of the period (in operating income and expense)	**2,215**	**3,734**	**521**	**6,470**

In € thousands	France	US	Other countries	2018 Total
Annual service costs	1,512	3,125	570	5,207
Financial costs of the liability	290	2,990		3,280
Financial income from fund investments	(27)	(2,215)		(2,242)
Cost of the period (in operating income and expense)	**1,774**	**3,900**	**570**	**6,244**

7.12.2 Other long-term benefits

Liabilities for length-of-service awards in France are reviewed by actuaries and amounted to €1.4 million at 31 December 2019.

The discount rate applied for 2019 was 0.77% (2018: 1.57%).

7.12.3 Sensitivity testing of the liabilities

In France, applying a 0.79% discount rate would increase the liability by some €0.7 million, while a 1.29% discount rate would lead to a €0.7 million reduction.
In the United States, a 3.10% discount rate would increase the liability by some €4.2 million, while a 3.60% discount rate would lead to a €4 million reduction.

7.13. Borrowings

7.13.1 Gross borrowings at 31 December 2019 and 2018

In € thousands	31/12/2019	31/12/2018
Bond debt	935,089	921,817
Bank borrowings	437,582	480,009
Lease liabilities	35,694	473
Other borrowings	3,359	3,804
Employee profit-sharing	797	847
Non-current borrowings	**1,412,521**	**1,406,949**
Bank borrowings	31,264	45,315
Employee profit-sharing	98	354
Other borrowings	2,510	63
Lease liabilities	10,059	244
Current borrowings	**43,931**	**45,976**
Gross borrowings	**1,456,452**	**1,452,925**

Debt issuance costs are amortised on a straight-line basis over the 8-year term of the bond issue.

SPCM currently has a renewable credit facility of €350 million initially maturing in July 2020. In an amendment to the agreement dated 31 July 2015, by way of a supplemental agreement signed on 22 June 2018, the final maturity date was extended to 31 July 2023 with two extension options of one year each, upon expiry of the first two one-year periods. The first extension option provided for by clause 4.6 of the agreement was granted on 23 July 2019, pushing back the final maturity date to 31 July 2024.

At 31 December 2019, €39 million had been drawn down (€111 million at 31 December 2018).

The breakdown of borrowings and debt by maturity is presented below:

In € thousands	31/12/2019	31/12/2018
< 1 year	43,931	45,976
1 to 2 years	84,819	10,082
2 to 3 years	132,790	65,978
3 to 4 years	515,412	52,500
4 to 5 years	41,655	650,927
> 5 years	637,846	627,462
Total	**1,456,452**	**1,452,925**

This syndicated credit facility was established for SPCM. This facility includes a *pari passu* clause with the other bond debts.

The interest rate applied to amounts borrowed corresponds to the benchmark rate in the borrowing currency plus a variable margin.

7.13.2 Covenants

The continued availability of the revolving line of credit is subject to compliance with financial ratios tested every 12 months at the end of the first half, or at the closing date of the fiscal year in question.

These ratios correspond to consolidated net debt divided by consolidated EBITDA, and consolidated EBITDA divided by consolidated interest expense. The definitions of consolidated net debt, consolidated EBITDA and consolidated interest expense are set out in the credit agreement signed in July 2015.

Under the 22 June 2018 amendment to the 31 July 2015 agreement, for each ratio test period the Group undertakes to maintain:

- a debt ratio equal to or less than 4.00, and
- an interest coverage ratio of at least 4.00.

The margin applicable to credit facilities is adjustable according to the debt ratio calculated for the fiscal year covered by the annual consolidated financial statements or the period ending 30 June of each year covered by the interim financial statements.

Covenants were in compliance in 2019 and 2018.

Breakdown of current borrowings:

In € thousands	**31/12/2019**	**31/12/2018**
Other borrowings	22,985	36,924
Lease liabilities	10,059	244
Current account borrowings	2,510	63
Bank overdrafts	82	159
Accrued interest on borrowings	8,197	8,232
Employee profit-sharing	98	354
Current borrowings	**43,931**	**45,976**

The "Other borrowings" line item reflects financing for working capital requirements of Chinese and Japanese subsidiaries and amounts borrowed to finance the acquisition of property and equipment for the UK, US and German subsidiaries.

The characteristics of these borrowings are as follows:

2019 In € thousands	Balance sheet amount	Issuance currency	Maturity	Effective rate
NON-CURRENT				
Employee profit-sharing	797	EUR	2021 to 2022	Fixed
Lease liabilities	35,694		2021 to 2025	Floating
Current account borrowings	3,359	EUR/GBP		Floating
Bond debt	935,089	EUR/USD	2023 and 2025	5.5% and 6%
Borrowings/France	414,362	EUR/USD	2021 to 2026	Fixed & floating
Borrowings/US	20,559	USD	2020 to 2022	Floating Libor
Borrowings/other countries	2,661	CNY	2021	Floating
TOTAL NON-CURRENT	**1,412,521**			
CURRENT				
Employee profit-sharing	98	EUR	2020	Fixed
Lease liabilities	10,059		2020	Floating Euribor
Bank borrowings	82		2020	Floating
Borrowings/US	11,034	EUR	2020	Floating Libor
Current account borrowings	2,510	EUR/GBP	2020	Floating
Borrowings/France	17,791	EUR	2020	Fixed & floating
Borrowings/other countries	2,356		2020	Floating
TOTAL CURRENT	**43,931**			

7.13.3 Net borrowings

In € thousands	31/12/2019	31/12/2018
Non-current borrowings	1,412,521	1,406,949
Current borrowings	43,931	45,976
Gross borrowings	1,456,452	1,452,925
Gross cash and cash equivalents	(240,579)	(207,126)
Derivatives		
Net borrowings	**1,215,874**	**1,245,799**

Net borrowings include all current and non-current borrowings less cash and readily realisable cash equivalents with maturities of less than one year.

7.13.4 Average cost of debt

The average pre-tax cost of debt for fiscal 2019 was 3.40%.

	2019	2018
Average cost of debt	3.40%	3.57%

This was determined on the basis of the average value of drawn-down credit lines over the year, adjusted for the weighted gross interest expense (including amortisation of debt issuance costs) for each category of debt.

7.14. Trade payables and other liabilities

Trade payables and other liabilities break down as follows:

	31/12/2019		31/12/2018	
In € thousands	**Non-current**	**Current**	**Non-current**	**Current**
Operating payables	2,968	373,300	3,803	361,500
Payables to fixed asset suppliers	7,552	39,254	1,039	25,337
Tax and social security liabilities	0	60,181	0	55,247
Other payables	21,769	79,421	21,578	42,761
TOTAL	**32,289**	**552,155**	**26,420**	**484,845**

The increase in "Operating payables" and "Tax and social security liabilities" mainly results from the significant growth in business volumes in 2019.

The increase in "Other payables" stems from the sharp rise in advance payments relating to percentage-of-completion contracts in the oil business.

7.15. Book value and fair value of financial instruments

7.15.1 Financial instruments

The book value of financial assets and liabilities by accounting category defined under IFRS 9 is as follows:

31/12/2019 In € thousands	Carrying value	Financial assets measured at FVTPL	Assets-Financial liabilities at amortised cost
ASSETS			
Equity instruments	38,872	38,872	
Other financial assets	11,435		11,435
Loans and financial receivables	12,041		12,041
Current account borrowings	3,348		3,348
Trade receivables	572,099		572,099
Net cash managed	240,579	240,579	
TOTAL	**878,374**	**279,451**	**598,923**
GAINS			
Bonds	935,089		935,089
Other bank borrowings	468,764		468,764
Borrowings under finance lease agreements	45,754		45,754
Current account borrowings	5,868		5,868
Other borrowings	895		895
Bank overdrafts	82		82
Trade payables	423,075		423,075
TOTAL	**1,879,527**	**0**	**1,879,527**

The fair value of the €995.1 million high yield bond issues carried out by the Group (€550 million plus US$500 million, equivalent to €445.1 million) amounted to €1,003.4 million at 31 December 2019. The euro bonds are quoted at 100.722% and the USD bonds at 100.97% of par.

Net cash managed include cash management financial assets as described in paragraph 7.8 but exclude overdrafts.

31/12/2018 In € thousands	Carrying value	Financial assets measured at FVTPL	Assets-Financial liabilities at amortised cost
ASSETS			
Equity instruments	32,939	32,939	
Other financial assets	7,131		7,131
Loans and financial receivables	12,784		12,784
Current account borrowings	7,047		7,047
Trade receivables	514,272		514,272
Net cash managed	207,126	207,126	
TOTAL	**781,299**	**240,066**	**541,234**
GAINS			
Bonds	912,287		912,287
Other bank borrowings	534,695		534,695
Borrowings under finance lease agreements	717		717
Current account borrowings	3,867		3,867
Other borrowings	1,200		1,200
Bank overdrafts	159		159
Trade payables	390,957		390,957
TOTAL	**1,843,882**	**0**	**1,843,882**

The fair value of trade receivables and other current receivables (assets held to maturity) represents their book value, given their short-term maturities.

Non-current financial assets mainly include non-consolidated equity interests, receivables on these interests and receivables due in more than one year. These assets are carried at their acquisition cost, which according to the Group's estimates represents their fair value in the absence of an active market.

Loans and borrowings, in the absence of quoted prices on an active market, are measured on the basis of future cash flows, item by item, discounted up to the closing date based on the rates observed on the market at period end for comparable types of debt instruments.

7.15.2 Cash and cash equivalents

The policy for managing financial risks is presented in note 7.15.

At 31 December 2019, the Group held shares in listed companies (€24.7 million) and marketable securities totalling €300,000 at various financial institutions, with a limited risk of default.

7.15.3 Fair value of financial instruments

The fair value of financial instruments held by the Group is calculated whenever it can be reliably estimated on the basis of market data for assets considering that they are not intended to be sold.

For this purpose, the Group uses the method for measuring financial instruments based on a hierarchy of fair value:

- Level 1: fair value is based on unadjusted quoted prices on markets for identical assets and liabilities;
- Level 2: fair value is based on observable level 1 quoted prices for the asset or liability in question, either directly (i.e. prices) or indirectly (i.e. data derived from prices);
- Level 3: fair value is based on data relating to the assets or liabilities that is not derived from observable market data.

The following table presents the fair value breakdown of these three levels for financial assets and liabilities measured at fair value:

	31 December 2019			
In € thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity interests		38,872		**38,872**
Net cash managed	240,579			**240,579**
Derivative liabilities		0		**0**

In 2017, we transferred equity interests to Level 2 in view of the valuation method applied.

	31 December 2018			
In € thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity interests		32,939		**32,939**
Net cash managed	207,126			**207,126**
Derivative liabilities				**0**

07:16. Management of risks relating to financial instruments

Management of credit risk, liquidity risk and market risk are centralised and monitored by the Finance Department. Based on changes in the Group's various exposures, positions are bought and sold to minimise risk.

7.16.1 Credit risk

In connection with its cash management activities, the Group has an exposure to credit risk. Market transactions are carried out within authorisation limits set by the Finance Department for each counterparty. For the Group, counterparties for financial instruments include:

- for trade receivables, accounts receivable (consisting mainly of receivables related to commercial arrangements with suppliers) for which the Group has trade payables for at least an equivalent amount;
- for cash and cash equivalents, banks or high quality institutions with excellent ratings from the rating agencies.

Impairment for trade receivables is recorded on a case-by-case basis when it is significantly likely that all or part of the amount will not be collected.

Aged trial balance for trade receivables

In € thousands	31/12/2019		31/12/2018	
Not due	382,044		369,893	
Due:	203,715		150,259	
- < 30 days overdue		89,106		57,127
- 30-120 days overdue		79,724		63,997
- > 120 days overdue		34,885		29,136
Provisions	(8,924)		(5,880)	
TOTAL	**576,835**	**203,715**	**514,272**	**150,260**

7.16.2 Liquidity risk

The SPCM Group has short and medium-term credit lines (see note 7.13) with top-tier banks that provide it with flexible sources of funds. Drawing on its internal analysis tools, the role of the Finance Department is to maintain sufficient liquidity at all times, by managing Group cash and ensuring secure financing in terms of duration and legal conditions. At 31 December 2019, €1,456 million out of total drawing rights of €1,794 million had been drawn down under credit facilities.

At 31 December 2019, undiscounted contractual flows (principal and interest) for the total outstanding amount of financial liabilities by maturity date broke down as follows:

at 31 December 2019 In € thousands	2020	2021	2022	2023	2024	> 5 yrs	Total	Carrying value
Derivative financial instruments	0						0	0
Trade and other payables	0	0		0	0		0	0
Drawdowns of credit facilities	43,766	84,656	132,624	515,401	41,649	637,845	1,455,942	1,455,942
Floating-rate finance leases	165	163	166	11	5	0	511	511
Other borrowings	0						0	0
Other payables								
Other financial liabilities								
TOTAL	**43,931**	**84,819**	**132,790**	**515,412**	**41,655**	**637,846**	**1,456,452**	**1,456,452**

at 31 December 2018 In € thousands	2019	2020	2021	2022	2023	> 5 yrs	Total	Carrying value
Derivative financial instruments	0						0	0
Trade and other payables	0	0		0	0		0	0
Drawdowns of credit facilities	45,731	9,921	65,824	52,343	650,926	627,462	1,452,208	1,452,208
Floating-rate finance leases	244	161	154	157	1	0	717	717
Other borrowings	0						0	0
Other payables								
Other financial liabilities								
TOTAL	**45,975**	**10,082**	**65,978**	**52,500**	**650,927**	**627,462**	**1,452,925**	**1,452,925**

7.16.3 Market risks

In connection with its operations, the Group may have various exposures to foreign exchange and interest rate risks. The policy for managing these risks is described below.

a) Foreign exchange risk

A large proportion of the Group's sales are in currencies other than the euro, particularly US dollars, pound sterling, Brazilian reals, Japanese yen, South Korean won and Chinese renminbi yuan. These sales in foreign currencies are primarily carried out by the Group's subsidiaries in their functional currency and consequently do not generate foreign exchange transaction risk at their level.

The Group's primary foreign exchange transaction risks arise from inter-company invoicing between Group companies when they invoice or purchase products or services in a currency other than their functional currency:

- For export transactions of production subsidiaries located in euro, dollar or renminbi yuan regions and exporting in their functional currency or US dollars rather than the local currency of the sales subsidiary;
- For import transactions of goods from external suppliers that invoice in US dollars.

The following table summarises the sensitivity of the Group's consolidated income statement to a 10% increase or decrease in exchange rates in relation to the euro linked to the translation of transactions recorded by the subsidiaries in foreign currencies.

	Contribution to the consolidated financial statements					Sensitivity to fluctuations of the main currencies versus the euro	
In € thousands	**EUR**	**USD**	**CNY**	**OTHER**	**TOTAL**	**+10 %**	**-10 %**
Revenue	594,868	1,761,743	386,232	615,304	**3,358,147**	258,760	(258,760)
EBITDA	71,663	330,301	96,684	76,330	**574,979**	45,117	(45,117)
Operating income	33,299	219,904	74,023	64,213	**391,439**	31,725	(31,725)

Because of the Group's international presence, its balance sheet is exposed to fluctuations in foreign exchange rates.
A change in the euro affects the translation in the consolidated balance sheet of assets and liabilities of subsidiaries stated in foreign currencies.

The following table summarises the sensitivity of the main balance sheet aggregates of the Group to a 10% increase or decrease in exchange rates in relation to the euro.

	Contribution to the consolidated financial statements						Sensitivity to fluctuations of the main currencies versus the euro	
In € thousands	**EUR**	**USD**	**CNY**	**JPY**	**OTHER**	**TOTAL**	**+10 %**	**-10 %**
Gross borrowings	882,628	567,466	3,082	331	2,945	**1,456,452**	57,382	(57,382)
Trade receivables	108,553	216,853	98,453	18,780	129,460	**572,099**	45,335	(45,335)
Trade payables	100,352	180,220	59,522	3,975	29,231	**373,300**	27,295	(27,295)

b) Interest rate risk

The SPCM Group policy for managing interest rate risk is based on three objectives, covering security, liquidity and profitability. Management of interest rate risk is centralised and monitored on a periodic basis by the Finance Department.

Most (88.9%) of the Group's consolidated debt is at fixed rates.

In connection with its financing activities and based on an assessment of exposure to interest rate risk, SPCM SA may use financial instruments to reduce exposure and minimise interest costs. Use of such hedging instruments has not been made.

Breakdown of commitments subject to interest rate risks

In € thousands	Credit lines	Property finance leases
2020	10,408	0
2021	9,498	0
2022	67,809	0
2023	82	0
From 2024 onwards	52,626	
Rate	Euribor/Libor	
Hedging	None	

Analysis of gross borrowings by type of rate

At 31 December 2019, 88.9% of Group gross borrowings were at fixed rates, mainly consisting of the €995 million bond issue, and 11.1% at floating rates.

Sensitivity analysis of interest rate risks

The analysis of sensitivity is based on the situation of the floating-rate portion of net debt at year-end, with no hedging instruments used at that date.
For interest rate risks, sensitivity corresponds to an immediate 1% increase or decrease in the yield curve relative to prevailing interest rates at year-end.

At 31 December 2019, the impact of an immediate 1% increase in all yield curves would increase the Group's net interest expense by €2.4 million. Group net income after tax at the actual tax rate would reduce by €1.6 million.

At 31 December 2019, the impact of an immediate 1% decrease in all yield curves would reduce Group net interest expense by €0.6 million. Group net income would increase by €0.4 million.

NOTE 8: NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1. Revenue

By type

In € thousands		2019	2018
Sales	(1)	3,244,943	2,934,336
Services		113,203	88,954
TOTAL		**3,358,147**	**3,023,290**

(1) Revenue from percentage-of-completion contracts amounted to €60 million in 2019 and €40.9 million in 2018.

By geographical region

In € thousands	2019	2018
France	81,007	76,321
Europe	559,326	503,661
Americas	1,638,481	1,514,445
Asia	893,585	767,051
Other countries	185,746	161,812
TOTAL	**3,358,147**	**3,023,290**

8.2. Operating expenses

In € thousands		2019	2018
Cost of sales		(2,709,496)	(2,519,832)
Selling expenses		(132,289)	(119,178)
Research and development expenditure		(48,405)	(45,024)
General and administrative expenses		(74,802)	(69,693)
TOTAL	(1)	**(2,964,992)**	**(2,753,727)**

(1) Operating expenses on percentage-of-completion contracts amounted to €51.1 million in 2019 and €32.7 million in 2018.

8.3. Staff costs

Breakdown of staff costs

In € thousands	2019	2018
Salaries and wages (excluding temporary personnel)	(277,189)	(237,617)
Social security charges	(82,392)	(75,993)
Statutory and optional employee profit-sharing	0	(306)
Total staff costs	**(359,581)**	**(313,916)**

The CICE tax credit for competitiveness and jobs introduced in France in 2013 until 2018 year-end, generating income of €1.8 million in 2018, was deducted from staff costs.

Breakdown of personnel at year-end by category

Personnel employed by consolidated companies break down as follows by category:

Category	31/12/2019	31/12/2018
Managers and senior executives	723	670
Technicians and supervisory staff	1,268	1,189
Office staff	1,026	886
Plant workers	3,433	3,262
TOTAL	**6,450**	**6,007**

8.4. Amortisation, depreciation and provisions

Amortisation, depreciation and provisions included under operating expenses concern the following items:

	2019		2018	
In € thousands	**Amortisation & depreciation**	**Provisions**	**Amortisation & depreciation**	**Provisions**
Development costs	(8,960)	(177)	(7,632)	(192)
Manufacturing costs	(164,830)	(330)	(131,178)	(2,676)
Marketing expenses	(2,451)	(2,067)	(2,051)	(387)
General expenses	(5,042)	317	(6,279)	(1,562)
Total	**(181,283)**	**(2,256)**	**(147,141)**	**(4,817)**

8.5. Non-recurring operating income and expenses

In € thousands	2019	2018
Tax litigation	(570)	(1,483)
Sales-related litigation	(7,154)	(13,766)
Site streamlining costs	(8,842)	(5,245)
Other expenses and income	(5,184)	(6,487)
TOTAL	**(21,750)**	**(26,981)**

Tax litigation

2019 tax litigation primarily relates to tax payments following the tax audit in France.

2018 tax litigation primarily related to payment of a transfer pricing dispute in Italy and an ICMS tax dispute in Brazil.

Sales-related litigation

This item mainly comprises lawyers' fees relating to patent litigation.

Site rationalization costs

In 2019, these expenses primarily related to the costs of closing a production unit in China for €6.9 million;

In 2018, these costs mainly related to guidance facilities provided to staff and non-recurring logistics costs in the United States.

Other expenses and income

This account includes other material operating income or expenses relating to extraordinary events that could affect the analysis and comparability of the Group's business.

In 2019, this item mainly consisted of:

- the cost of shutting down production in the United States (bad weather) for €900,000 and exceptional transport costs resulting from strikes in France (€400,000), as well as exceptional logistics costs in France (€700,000);
- expenses relating to inventory discrepancies identified in India for €1.8 million and in the United States and Saudi Arabia together totalling €700,000.

In 2018, this item mainly consisted of:

- production shutdown costs in the United States due to adverse weather conditions (€0.3 million) and in China due to a fire (€1.3 million);
- costs relating to the interruption of production shutdown in France (strike) (€1.4 million) and related non-recurring transport costs (€0.5 million).

8.6. Net financial income/(expense)

In € thousands	2019	2018
Gross interest expense	(65,406)	(60,843)
Income from cash and cash equivalents	570	387
Other financial income and expenses	18,111	5,319
Currency gains/(losses)	7,607	(22,548)
Reversals of/(additions to) amortisation and provisions	(44)	(668)
Net financial income/(expense)	**(39,162)**	**(78,353)**

Foreign exchange gains and losses relating to transactions in foreign currencies are recognised under operating margin. Translation differences relating to financing activities are recognised under financial income and expense.

In 2019, other financial income and expenses mainly consisted of:

- €8 million in financial expense transfers;
- €2.5 million income from investments in and loans to non-consolidated entities;
- €4.7 million increase in the fair value of non-consolidated investments and €3.8 million increase in the fair value of investment securities

In 2018, other financial income and expenses mainly consisted of:

- €4 million in financial expense transfers;
- €3.9 million loss on sale of financial assets;
- €0.5 million income from investments in and loans to non-consolidated entities;
- €3 million increase in the fair value of non-consolidated investments.

8.7. Income tax

Tax expense

In € thousands	2019	2018
Current income tax	(59,522)	(30,844)
Net deferred tax	(9,423)	(12,892)
Income tax	**(68,944)**	**(43,736)**
Including non-recurring tax effects	0	0
Total excluding non-recurring tax effects	**(68,944)**	**(43,736)**

Current income tax equals amounts paid or payable in the short term to tax authorities for the fiscal year in accordance with the rules and rates in force in the different countries.

In France, the Group benefits from rules allowing taxable income and losses to be offset between a parent company and subsidiaries that belong to a tax group. Under these rules the results of all companies included in the tax group are not impacted and the tax group does not generate any material tax savings with the exception of the immediate offset of losses against profits.

Analysis of tax expense

For 2019, the tax rate applicable in France was the basic rate of 33.33% plus a 3.3% social security contribution rate, giving a total rate of 34.43%.

The Group's effective tax rate, excluding non-recurring tax effects, amounted to 20.86% in 2019 compared to 26.39% in 2018. The decrease in the tax rate compared to 2018 is mainly due to the application of the 10% rate to the French IP Box tax regime.

The difference between the effective tax rate and the statutory French tax rate in 2019 breaks down as follows:

In € thousands	**2019**	**2018**
Normal tax rate	**34.43%**	**34.43%**
Consolidated book income before tax	330,528	165,759
Theoretical tax expenses at applicable rates	(113,801)	(57,071)
Effective tax expense	(68,944)	(43,736)
Variance between effective and theoretical tax expense	**44,856**	**13,335**
Impact of permanent differences	1,671	(653)
Impact of differences in tax rates	(44,579)	(19,457)
Impact of tax losses and tax credits	(5,840)	5,102
Impact of specific taxes and tax audits	(1,087)	1,673
Total	**(49,835)**	**(13,335)**
Effective tax rate	**20.86%**	**26.39%**

The change in the statutory tax rate reflects changes in the respective contributions of each taxable entity to Group pre-tax net income and the fact that some entities posted taxable income while others posted taxable losses.

Research tax credits akin to grants have been classified under recurring operating income since 2007. At 31 December 2019, €5.9 million was recognised on that basis in respect of the French and US companies.

Deferred tax assets and liabilities

In € thousands	31/12/2019	31/12/2018
Fixed assets	(147,480)	(125,622)
On loss carryforwards	3,558	4,931
Pension liabilities	12,911	8,247
Elimination of inter-company profits	3,559	(1,232)
On other temporary differences	(1,861)	(2,881)
Total deferred taxes	**(129,313)**	**(116,557)**
Of which:		
Deferred tax assets	6,841	8,111
Deferred tax liabilities	(136,154)	(124,668)

Deferred taxes recognised on the balance sheet under "Fixed assets" result from temporary differences between the accounting and tax bases of those assets.

8.8. Net earnings per share

Item	2019	2018
Net income for the period	257,069	118,893
Net income for the calculation of diluted earnings per share	257,069	118,893
Number of shares outstanding at beginning of period	4,549,000	4,549,000
Weighted average number of shares before dilution	4,549,000	4,549,000
Weighted average number of shares with dilution	4,549,000	4,549,000
Basic earnings per share	**56.51**	**26.14**
Diluted earnings per share	**56.51**	**26.14**

NOTE 9: NOTES RELATING TO COMMITMENTS AND OTHER DISCLOSURES

9.1 Off-balance sheet commitments and collateral

In € thousands	31/12/2019	31/12/2018
Guarantees given to customs authorities	4,293	3,314
Guarantees given to customers (performance bonds, bid bonds)	98,033	94,919
Guarantees for debt of non-consolidated entities	0	0
Guarantees given to employees for time savings accounts and banks	4,574	3,906
Seveso and bank guarantees	7,536	3,455
Share of loans secured by collateral	38,856	65,875
TOTAL	**153,291**	**171,469**

The SPCM Group recognises obligations or commitments in connection with future payments:

In € thousands	Total	Payments due by period		
		< 1 year	1-5 years	> 5 years
Interest expense on borrowings	198,962	37,104	136,944	24,914
TOTAL	**198,962**	**37,104**	**136,944**	**24,914**

9.2 Related parties

9.2.1 Senior management (company directors)

a) Compensation of management bodies:

Compensation allocated for fiscal 2019 to members of the SPCM Management Committee (8 members) and Board of Directors for their duties within Group subsidiaries amounted to €2.9 million. Compensation does not include variable components.

b) Attendance fees:

Attendance fees paid to directors in 2019 amounted to €0.2 million.

9.2.2 Relations with associates and non-consolidated companies:

The consolidated financial statements include transactions carried out by the Group in the course of its normal business operations with associates and non-consolidated subsidiaries. These transactions are carried out on arm's-length terms.

These items break down as follows in the income statement:

In € thousands	2019	2018
Operating income	68,556	76,060
Non-consolidated subsidiaries	53,005	53,534
Associates	15,551	22,526
Operating expenses	0	0
Non-consolidated subsidiaries	0	0
Associates	0	0
Other financial income and expenses	2,513	865
Non-consolidated subsidiaries	2,452	865
Associates	61	0

Assets and liabilities of the Group concerning related parties at year-end broke down as follows:

In € thousands	31/12/2019	31/12/2018
Loans or advances granted	11,218	15,129
Non-consolidated subsidiaries	11,017	14,929
Associates	201	200
Trade and other receivables	24,177	27,169
Non-consolidated subsidiaries	21,594	20,418
Associates	2,583	6,750
Trade and other payables	0	0
Non-consolidated subsidiaries	0	0
Associates	0	0

There are no other transactions to report with related parties as defined under IAS 24, i.e. shareholders, associates and joint ventures.

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S.P.C.M. SA

Société anonyme

ZAC du Milieux
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Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2018

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2018

To the annual general meeting of S.P.C.M. SA

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of S.P.C.M. SA for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you that the assessments which, in our professional judgment, were of most significance in our audit of the financial statements addressed the appropriateness of the accounting principles used.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Specific Verifications

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code is included in the Group management report, being specified that, in accordance with the provisions of Article L.823-10 of the code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information contained therein and should be reported on by an independent assurance services provider.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Saint-Etienne and Lyon, 20 March 2019

The statutory auditors
French original signed by

Michel TAMET & ASSOCIES	**DELOITTE & ASSOCIES**	
Michel TAMET	Dominique VALETTE	Guillaume VILLARD

SUMMARY OF THE CONSOLIDATED FINANCIAL STATEMENTS

Financial statements

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2. Consolidated statement of comprehensive income
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4. Consolidated cash flow statement
5. Consolidated statement of changes in equity

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Note 3	Principles of consolidation
Note 4	Accounting principles
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Note 6	Information on consolidation
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Note 8	Notes to the consolidated income statement
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

In € thousands	Notes	31/12/2018	31/12/2017
Goodwill	**7.1**	62,528	67,907
Other intangible assets	**7.1**	50,682	45,664
Property, plant and equipment	**7.2**	1,815,365	1,630,165
Investments in associates	**6.3**	4,433	3,804
Financial assets	**7.3**	32,939	22,297
Other non-current financial assets	**7.3**	15,819	13,904
Deferred tax	**8.7**	8,282	6,157
Other non-current assets	**7.4**	8,998	13,692
NON-CURRENT ASSETS		**1,999,046**	**1,803,589**
Inventories and work in progress	**7.5**	566,858	445,178
Trade receivables and other assets relating to contracts with customers	**7.6**	514,272	385,345
Other current receivables	**7.7**	115,948	93,648
Current tax	**8.7**	24,055	25,196
Current financial assets	**7.7**	4,096	2,065
Cash and cash equivalents	**7.8**	207,126	150,734
CURRENT ASSETS		**1,432,356**	**1,102,167**
TOTAL ASSETS		**3,431,402**	**2,905,756**

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

Equity and Liabilities

In € thousands	Notes	31/12/2018	31/12/2017
Share capital	**7.9**	50,039	50,039
Retained earnings and reserves		1,098,049	879,509
Net income for the period		118,894	160,798
EQUITY ATTRIBUTABLE TO THE GROUP		**1,266,982**	**1,090,346**
NON-CONTROLLING INTERESTS	**7.10**	**20,867**	**16,211**
TOTAL SHAREHOLDERS' EQUITY		**1,287,849**	**1,106,557**
Deferred tax	**8.7**	124,668	110,522
Non-current provisions	**7.11**	42,705	37,942
Non-current borrowings	**7.13**	1,406,949	1,164,389
Other non-current liabilities	**7.14**	25,698	4,966
NON-CURRENT LIABILITIES		**1,600,020**	**1,317,819**
Current provisions	**7.11**	2,596	3,869
Current borrowings	**7.13**	45,976	60,658
Trade payables	**7.14**	361,500	299,265
Other current liabilities	**7.14**	123,345	108,174
Current tax	**8.7**	10,117	9,414
CURRENT LIABILITIES		**543,533**	**481,380**
TOTAL EQUITY AND LIABILITIES		**3,431,402**	**2,905,756**

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

In € thousands	Notes	2018	2017
Revenue from ordinary activities	**8.1**	3,023,290	2,467,690
Operating expenses	**8.2**	(2,753,726)	(2,281,729)
Other recurring operating income/(expenses)		1,531	19,553
RECURRING OPERATING INCOME		**271,095**	**205,514**
Non-recurring operating income/(expenses)	**8.5**	(26,981)	(26,277)
OPERATING INCOME		**244,115**	**179,237**
Gross interest expense		(60,843)	(44,797)
Income from cash and cash equivalents		387	557
Net interest expense	**8.6**	(60,456)	(44,240)
Other financial income and expenses	**8.6**	(17,898)	14,866
INCOME BEFORE TAX		**165,761**	**149,863**
Income tax	**8.7**	(43,736)	12,650
Share in earnings/(losses) of associates		504	(87)
NET INCOME BEFORE DISCONTINUED OPERATIONS		**122,529**	**162,426**
Profit/(loss) from discontinued operations		0	0
NET INCOME		**122,529**	**162,426**
Non-controlling interests		(3,634)	(1,628)
NET INCOME ATTRIBUTABLE TO SPCM		**118,894**	**160,798**
Basic earnings per share		26.14	35.35
Diluted earnings per share		26.14	35.35

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Notes	2018	2017
Consolidated net income		**118,894**	**160,798**
Hedging instruments		0	0
Currency translation adjustments		21,032	(118,888)
Taxation		0	0
Items subsequently posted to profit or loss		**21,032**	**(118,888)**
Actuarial gains/(losses)		(1,007)	(4,457)
Taxation		1,676	3,212
Items not posted to profit or loss		**669**	**(1,245)**
Total income and expenses directly recognised in equity		**21,701**	**(120,133)**
Comprehensive income/(loss) for the period		**140,595**	**40,665**
Attributable to owners of the parent		136,869	40,014
Attributable to non-controlling interests		3,726	651

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In € thousands	Notes	2018	2017
NET INCOME ATTRIBUTABLE TO SPCM S.A.		**118,894**	**160,798**
Depreciation, amortisation and provisions		155,611	152,739
Reversals of depreciation, amortisation and provisions		(5,665)	(3,976)
Grants transferred to net income		0	(1,001)
Undistributed earnings of associates		(503)	87
Gains/(losses) from asset disposals		(1,467)	(19,391)
Other items		2,644	
Income attributable to minority interests		3,634	1,628
Income tax charge (current and deferred)		43,736	(12,650)
Gross interest expense	**8.6**	60,843	44,797
FREE CASH FLOW		**377,728**	**323,030**
Change in inventories and work in progress		(114,948)	(147,398)
Change in trade receivables		(111,371)	(39,621)
Change in trade payables		77,636	93,374
Change in other payables and receivables		1,706	(3,688)
Tax paid		(29,170)	(38,149)
Interest paid		(59,907)	(43,031)
NET CASH FROM OPERATING ACTIVITIES		**141,674**	**144,518**
Inflows from fixed asset disposals		10,087	28,921
Investments in property, plant and equipment and intangible assets		(324,820)	(384,857)
Financial investments		(9,733)	(28,363)
Acquisition of subsidiaries, net of cash acquired		0	(4,553)
Repayments of non-current financial assets		2,216	1,450
NET CASH FROM INVESTING ACTIVITIES		**(322,249)**	**(387,401)**
Change in borrowings (1)		241,152	264,077
Share capital increases (reductions)		0	0
Dividends paid (including to minority interests)		(2,844)	(1,254)
NET CASH FROM FINANCING ACTIVITIES		**238,307**	**262,823**
Effect of changes in exchange rates		(1,440)	(7,524)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**56,292**	**12,415**
Opening cash and cash equivalents	**7.8**	150,734	138,282
Opening bank overdrafts		(59)	(22)
Closing cash and cash equivalents		207,126	150,734
Closing bank overdrafts	**7.8**	(159)	(59)

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

(1) During the fiscal year ended 31 December 2018, non-cash changes in long-term borrowings amounted to a €(9)million reduction arising from unrealised foreign exchange gains and losses (€36 million gain in 2017).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousands	Share capital	Retained earnings and reserves	Currency translation adjustments	Equity attributable to the Group	Non-controlling interests	Total equity
AT 1 JANUARY 2017	**50,039**	**877,003**	**129,324**	**1,056,365**	**13,728**	**1,070,094**
Net income for the period		160,798		160,798	1,628	162,426
Gains and losses recognised in equity		(1,245)	(118,888)	(120,133)	(977)	(121,110)
Comprehensive income/(loss) for the period	**0**	**159,553**	**(118,888)**	**40,665**	**651**	**41,316**
Distribution of dividends		(1,093)		(1,093)	(161)	(1,254)
Share capital increase	0	0		0	0	0
Changes in consolidation scope		(3,451)	772	(2,679)	1,693	(986)
Other changes		(2,903)	(10)	(2,913)	300	(2,613)
At 31 DECEMBER 2017 (REPORTED)	**50,039**	**1,029,109**	**11,198**	**1,090,346**	**16,211**	**1,106,557**
Impact of IFRS 9		**37,732**		**37,732**	**0**	**37,732**
AT 31 DECEMBER 2017 (RESTATED)	**50,039**	**1,066,841**	**11,198**	**1,128,078**	**16,211**	**1,144,289**
Net income for the period		118,894		118,894	3,634	122,529
Gains and losses recognised in equity		669	21,032	21,701	92	21,793
Comprehensive income/(loss) for the period	**0**	**119,563**	**21,032**	**140,595**	**3,726**	**144,321**
Distribution of dividends		(2,832)		(2,832)	(13)	(2,844)
Share capital increase	0	0		0	0	0
Changes in consolidation scope		0	0	0	1,150	1,150
Other changes		(16,239)	18,621	2,382	(207)	2,175
AT 31 DECEMBER 2018	**50,039**	**1,129,602**	**50,851**	**1,230,492**	**20,867**	**1,251,359**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Founded in 1978, SPCM SA is a French limited company (société anonyme) subject to all laws and regulations governing trading companies in France and, in particular, to the provisions of the French Commercial Code (Code de Commerce). The company's registered office is located in ZAC de Milieux, Andrézieux-Bouthéon (Loire), France. The Group designs, manufactures and sells a range of chemical products.

The Company's fiscal year runs from 1 January to 31 December.

The 2018 consolidated financial statements including notes thereto were approved by the SPCM SA Board of Directors on 13 March 2019. The information and accounting data presented below is expressed in thousands of euros, with the exception of earnings per share information, which is given in euros.

Note 1 – Highlights of the period and post balance sheet events

1.1 Highlights of the period

• Business activity in 2018

2018 saw strong growth in business volumes, with revenue increasing 22.5% over 2017. This growth in sales was fuelled by oil and gas operations in the United States and Asia. Rising commodity prices have significantly impacted the gross margin, down to 32.98% in 2018 from 35.47% in 2017.

• 2018 capital expenditure

As part of its development, the Group continued to make significant capital expenditure in 2018. Purchases of property, plant and equipment for the year amounted to €302 million, compared to €396 million in 2017.

The increase in capital expenditure is in line with forecast growth and concerns increases in capacity, in particular in the US (€120m), China (€58m), France (€65m), India (€18m), the UK (€21m) and Brazil (€11m).

In 2017, capital expenditure was focused on increasing capacity primarily in the US, France, China, India, the UK and Brazil.

• Borrowings

Gross borrowings increased €228 million during 2018 to €1,453 million, versus 1,225 million at 31 December 2017.

New financing arrangements set up in 2018 mainly concern an €180 million loan from the European Investment Bank (EIB) which will support the Group in its research and development programme and help fund the construction of a new factory in France (Dunkerque).

By way of a supplemental agreement dated 22 June 2018, the €350 million revolving credit facility agreement dated 31 July 2015 was amended, including (i) an extension of the final maturity date to 31 July 2023 and (ii) adjustment of financial ratios: the debt ratio was increased from 3.5 to 4.

In April 2017, the Group restructured its debt in order to benefit from favourable market conditions and extend its debt maturity.

On 20 April 2017, the US$250 million high yield bond placement issued in October 2013 was restructured as follows on 20 April 2017:

	High yield 2013	High yield 2017
Nominal value (US$m)	250	500
Maturity	2022	2025
Coupon	6.000%	4.875%

• Status of litigation

- **Patents:** The SPCM Group is involved in litigation proceedings in a number of countries. The dispute with our US subsidiary in Canada was settled during the period. The Canadian Supreme Court dismissed the opposing party's appeal and the Group obtained a €1.2 million reimbursement of costs incurred. Pending forthcoming rulings which may or may not uphold the current state of affairs, the Group has not recorded other provisions for contingencies.

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• EOR contracts

2018 saw a strong recovery in the EOR equipment construction business. 2018 revenue amounted to €55 million, versus €10 million in 2017. The trend observed over 2018 should be confirmed over the coming years given the sharp increase in the order backlog versus 2017.

• Acquisition of equity interests

In 2018, the Group invested €6.4 million in purchasing equity interests in non-consolidated companies, compared to a total of €7.6 million in 2017.

- **Other**

SPCM SA was audited by the French tax authorities for fiscal years 2015 and 2016. The audit was completed in the fourth quarter of 2018. The announced tax adjustment (€1.6m) is mainly related to research tax credit (€1.3m). We are partly contesting this adjustment and have recognised a €0.7 million tax charge for the amount we consider that we owe. We have also recorded a €0.3 million provision for contingencies in respect of the risk relating to 2017. For the contested part of the adjustment, the case is under examination and we believe we have sufficiently strong arguments to win the case.

On 10 October 2015, Chinese subsidiary SNF Taixing was awarded the HNTE certificate by the local branch of the Ministry of Science and Technology, thus bringing its tax rate down from 25% to 15% for the 2015-2017 period. This certificate was renewed in November 2018 for a further three-year period (2018-2020). This preferential status may be revoked if the subsidiary fails to meet the criteria and disclosure requirements.

1.2 Post balance sheet events

No other material events have occurred between the end of the reporting period (31 December 2018) and the date the Board of Directors approved the financial statements (13 March 2019) that could modify the financial information presented herein.

Note 2 - STATEMENT OF ACCOUNTING POLICIES

2.1 Basis of preparation

In accordance with the terms of the 23 June 2006 senior syndicated credit facility and the June 2006 high yield corporate bond issue, since 1 January 2006 the SPCM Group consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable for the fiscal year ended 31 December 2018.

The IFRS may be consulted at the European Commission's website at the following address:http://ec.europa.eu/finance/company-reporting/index_en.htm

The accounting policies applied are consistent with those used to prepare the 2018 consolidated financial statements with the exception of standards, amendments and interpretations adopted by the European Union effective 1 January 2019.

- **New standards and interpretations applicable from 1 January 2018**

The European Union adopted the following texts whose application is mandatory for the Group for its fiscal year beginning 1 January 2018:

- IFRS 9 "Financial Instruments",
- IFRS 15 "Revenue from Contracts with Customers"
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions".

The following texts have no impact on the Group's consolidated financial statements:

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration",
- Annual improvements, 2014-2016 cycle

- **Standards, amendments and interpretations adopted by the IASB but not yet applicable at 31 December 2018**

The Group did not apply in advance any new standards, amendments and interpretations, whether adopted or to be adopted by the European Union, due to come into force after 31 December 2018, whose application was therefore possible but not mandatory. These mainly include the following standards, amendments and interpretations:

- IFRS 16 "Leases",
- IFRIC 23 "Uncertainty over Income Tax Treatments",
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation".

- **Standards, amendments and interpretations not yet adopted by the IASB at 31 December 2018**

The standards and amendments not yet adopted by the European Union at 31 December 2018 are:

- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement",

- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures",
- Amendments to IFRS 3 "Definition of a Business",
- Amendments to IAS 1 and IAS 8 "Definition of Material",
- Annual improvements, 2015-2017 cycle.

The Group is currently analysing the impact and practical consequences of applying these standards, amendments and interpretations.

- **IFRS 16 "Leases"** changes the way in which leases are recognised by the lessee. It will supersede IAS 17 and its related interpretations, IFRIC 4, SIC 15 and SIC 27. IFRS 16, which came into force on 1 January 2019, introduces a single lessee accounting model for leases, which impacts the balance sheet in a similar way to current finance-lease agreements.

  In the case of nearly all leases, IFRS 16 requires the lessee to recognise an asset (the right to use the leased asset) and a financial liability representing the present value of future lease payments. Instead of the rental charge, the lessee recognises depreciation on the right-of-use asset and interest payments on the lease liability. Previously, the Group mainly recognised operating lease charges on a straight-line basis over the lease term and only recognised assets and liabilities where there was a difference between actual lease payments and the charge recognised. This change will have a positive impact on performance indicators such as EBITDA and, to a lesser extent, recurring operating income and a negative impact on financial income/(expense). Consolidated net income could also be reduced given that, under the new standard, expenses will generally be higher at the beginning of the lease and then recorded on a declining basis, compared to the straight-line basis followed by the current standard. Lastly, operating cash flows will be higher, since principal payments on the lease liability and related interest payments will be presented under financing activities.

  Given the relatively short term of some real estate leases, the current estimation of the impact of restatements under the new standard on the Group financial statements may differ from the impact actually recorded as of first-time application of IFRS 16 on 1 January 2019.

  Given the specific features of some leases (particularly in terms of renewal procedures), the durations applied for measuring leases under IFRS 16 may in some cases differ from those used to measure off-balance sheet commitments, where only the firm commitment is taken into account.

  The Group is currently finalising and checking preparations for applying the standard and measuring the amounts to be recorded under assets and liabilities as at 1 January 2019. At constant consolidation scope and exchange rates, the Group expects to see:

  - a non-material impact on the main 2019 income statement items;
  - an increase in net non-current assets (recognition of right-of-use assets) of around €31 million together with a comparable lease liability.

  The Group will use the simplified retrospective method as of 1 January 2019. For this reason, the 2018 comparative financial statements presented alongside the 2019 financial statements will not be restated and the cumulative effect of IFRS 16 will be recorded in equity as at 1 January 2019.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"**supplements the provisions of IAS 12 "Income Taxes" by specifying procedures for measuring and recognising uncertainty over income tax treatments. Application of this interpretation is mandatory for fiscal years beginning on or after 1 January 2019. The Group does not expect to see any material impact on opening equity at 1 January 2019 following application of this interpretation.

- **Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"**, whose application is mandatory as of 1 January 2019, specify that in the event of an amendment, curtailment or settlement of a defined benefit pension plan, the company must use actuarial assumptions that are updated to determine the costs of services rendered and net interest for the period in accordance with the changes made to the pension plan. They also specify that the impact resulting from such cases on any plan surplus must be recognised on the income statement even if this surplus was not previously recognised.

- **First-time application of IFRS 15 and IFRS 9**

  - **IFRS 15, including amendments "Clarifications to IFRS 15 – Revenue from Contracts with Customers"**

The standard bases the recognition of revenue on a successive five-step analysis:

- Identification of the contract,
- Identification of the various performance obligations, i.e. the list of distinct goods and services that the seller has agreed to provide to the purchaser,
- Determination of the overall transaction price,
- Allocation of the transaction price to the performance obligations,
- Recognition of revenue and related costs when (or as) the entity satisfies a performance obligation.

The sale of chemical products accounts for the majority of revenues recorded. No changes in the rules for recognising revenue were identified during the analysis. For revenues relating to construction contracts, the margin is recognised on the basis of percentage of completion, in accordance with IFRS 15.

Accordingly, based on the internal analysis carried out by the Group, the application of IFRS 15 has no material impact on the SPCM SA Group's consolidated financial statements.

  - **IFRS 9 - "Financial Instruments" The standard was applied retroactively.**

The Group has applied the provisions of IFRS 9 - "Financial Instruments" - as of 1 January 2018.

IFRS 9 sets out the rules for recognising and measuring financial assets and liabilities. This standard replaces IAS 39 - "Financial instruments, recognition and measurement", which was applied until 31 December 2017.

At 1 January 2018, the Group increased its opening shareholder's equity by €37.7 million in order to reflect the cumulative impact of the first-time application of this standard. The main impacts by phase are presented below.

- Taking expected losses into account in the calculation of provisions for trade receivables: no additional provisions for expected losses on trade receivables were identified by the analysis, given that customer risk is considered immaterial;
- Equity instruments, comprising non-consolidated investments: the application of the standard resulted in a reallocation of non-consolidated investments from "Available-for-sale financial assets", not included in IFRS 9, to equity investments recognised at fair value, with changes in fair value recognised through profit or loss. A reconciliation table between the allocation under IAS 39 and IFRS 9 is presented in Note 2.6;
- Restatement of bond debt: SPCM SA analysed the bond debt renegotiations having taken place prior to 1 January 2018. This analysis resulted in continuity of treatment; the book value of this debt was adjusted pursuant to IFRS 9. The transition method applied is the simplified method. Accordingly, the 2017 financial statements were not adjusted; only the opening balance sheet at 1 January 2018 was adjusted to take all of these impacts into account.

The impacts of the first-time application of IFRS 9 on the Group's opening balance sheet at 1 January 2018 are presented below:

Consolidated balance sheet at 1 January 2018

Assets

In € thousands	31/12/2017 reported	Impacts of IFRS 9	01/01/2018 restated
Goodwill	67,907		67,907
Other intangible assets	45,664		45,664
Property, plant and equipment	1,630,165		1,630,165
Investments in associates	3,804		3,804
Financial assets	22,297	4,446	26,742
Other non-current financial assets	13,904		13,904
Deferred tax	6,157		6,157
Other non-current assets	13,692		13,692
NON-CURRENT ASSETS	**1,803,589**	**4,446**	**1,808,035**
Inventories and work in progress	445,178		445,178
Trade receivables and other assets relating to contracts with customers	385,345		385,345
Other current receivables	93,648		93,648
Current tax	25,196		25,196
Current financial assets	2,065		2,065
Cash and cash equivalents	150,734		150,734
CURRENT ASSETS	**1,102,167**	**0**	**1,102,167**
TOTAL ASSETS	**2,905,756**	**4,446**	**2,910,202**

Equity and Liabilities

In € thousands	31/12/2017 reported	Impacts of IFRS 9	01/01/2018 restated
Share capital	50,039		50,039
Retained earnings and reserves	879,509	37,732	917,241
Net income for the period	160,798		160,798
EQUITY ATTRIBUTABLE TO THE GROUP	**1,090,346**	**37,732**	**1,128,078**
EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	**16,211**		**16,211**
TOTAL SHAREHOLDERS' EQUITY	**1,106,557**	**37,732**	**1,144,289**
Deferred tax	110,522	(2,782)	107,741
Non-current provisions	37,942		37,942
Non-current borrowings	1,164,389	(30,505)	1,133,885
Other non-current liabilities	4,966		4,966
NON-CURRENT LIABILITIES	**1,317,819**	**(33,286)**	**1,284,533**
Current provisions	3,869		3,869
Current borrowings	60,658		60,658
Trade payables	299,265		299,265
Other current liabilities	108,174		108,174
Current tax	9,414		9,414
CURRENT LIABILITIES	**481,380**	**0**	**481,380**
TOTAL EQUITY AND LIABILITIES	**2,905,756**	**4,446**	**2,910,202**

Shareholders' equity at 1 January 2018

In € thousands	Share capital	Retained earnings and reserves	Currency translation adjustments	Equity attributable to the Group	Non-controlling interests	Total equity
Shareholders' equity at 31/12/2017 - reported	**50,039**	**1,029,109**	**11,198**	**1,090,346**	**16,211**	**1,106,557**
Impacts of IFRS 9		37,732		37,732	0	**37,732**
Shareholders' equity at 01/01/2018 - restated	**50,039**	**1,066,841**	**11,198**	**1,128,078**	**16,211**	**1,144,289**

There are no accounting policies that contradict any IFRS mandatory for periods beginning on or after 1 January 2018, not yet adopted by the European Union, and which would have had a material impact on the financial statements for the year.

2.2 Use of estimates

In preparing the financial statements, estimates and assumptions are made that affect amounts recognised under assets and liabilities. These estimates are established, on the basis of the going concern principle, according to information available at that time. These estimates may be revised if the circumstances on which they were based change, or if subsequently modified or supplemented by new information. Actual future results may differ from these estimates.

The main estimates made by management in preparing these financial statements concern:

- assumptions adopted for the measurement of certain provisions, notably severance retirement benefits and long service awards;
- assumptions and estimates used for annual goodwill impairment tests;
- amounts recognised with respect to certain financial instruments;
- deferred taxes;
- the measurement of property, plant and equipment and intangible assets;
- the measurement of equity interests;
- construction contracts: Group policy is defined in note 5.2;
- provisions for impairment of current assets and current and non-current provisions;
- calculating lawsuit contingency provisions;
- evaluating the useful lives of certain property, plant and equipment.

The nature and amount of these estimates are presented in the detailed notes to the corresponding account headings.

The Group is not aware of any major change during the year in the uncertainties underlying such estimates and assumptions, except for high volatility in the discount rate used for calculating employee benefit liabilities and currency differences (see note 7.12).

Note 3 – CONSOLIDATION PRINCIPLES

3.1 Basis of consolidation

As stated above, the Group has applied the new consolidation principles.

The Group fully consolidates companies that it controls. Control for consolidation purposes is assessed based on IFRS 10 criteria, which include power over the relevant operations, exposure to variable returns and capacity to use its power to influence the level of those returns. A controlling interest is considered to exist for companies in which SPCM directly or indirectly holds at least 50% of the voting rights. To determine this control, potential voting rights that are immediately exercisable, including those held by another entity, are taken into account.

Companies in which the Group exercises significant influence are consolidated under the equity method.

Following an analysis of joint arrangements under IFRS 11 criteria, the Group did not identify any joint ventures or joint operations. Joint ventures are consolidated under the equity method.

Shares in companies that do not meet these criteria are recognised under non-current financial assets. The consolidation of these companies would have a non-material effect on the consolidated financial statements, as they are entities whose potential losses are recognised in the form of provisions. Furthermore, these entities are financed by the Group, which accounts for virtually all their purchases or sales.

- The list of consolidated companies is presented in note 6.2.

- All material transactions between consolidated companies are eliminated.

3.2 Business combinations

Business combinations are recognised using the acquisition method. This method involves recognising the assets acquired and liabilities and contingent liabilities assumed at fair value.

The difference between the purchase cost of the investment and the Group share of the companies' assets, liabilities and contingent liabilities at fair value, as identified as at the acquisition date, is recognised under goodwill. Acquisition costs for fully consolidated companies are expensed in the year when incurred. If less than 100% of a subsidiary's share capital is acquired, the accounting treatment for goodwill varies between the full goodwill method and the partial goodwill method.

If the cost of acquisition is less than the fair value of the subsidiary's net assets, identifiable assets and liabilities are subject to an additional analysis and the resulting badwill gain is recognised directly in income.

Analysis of goodwill is finalised within one year of the acquisition date.

3.3 Intercompany transactions

Transactions involving reciprocal assets/liabilities and income/expenses between consolidated companies are eliminated in the consolidated financial statements. These items are eliminated:

- in full if the transaction is between two controlled subsidiaries;
- for the percentage of the equity-accounted interest in the case of earnings between a fully consolidated company and a company consolidated under the equity method.

3.4 Translation of foreign subsidiaries' financial statements

In most cases, the functional currency of Group companies is their local currency. Transactions in foreign currency are converted by the subsidiary into their operating currency using the prevailing exchange rate as at the transaction date.

The Group applies the closing rate method for the translation of its subsidiaries' financial statements:

• Assets and liabilities in a functional currency other than the euro are translated at the closing rate, while income statement items are translated at the weighted average exchange rate for the period. All shareholders' equity accounts other than net income for the year are converted based on historical exchange rates;

• The resulting exchange difference is posted to other comprehensive income as a movement for the year. Currency differences are broken down under shareholders' equity.

Goodwill arising from the acquisition of a foreign entity is treated as an asset or liability of said entity and, therefore, is stated in the entity's operating currency and converted at the closing rate.

Currency differences are posted to income when the subsidiary is no longer consolidated due to sale, liquidation, etc.

In compliance with IFRS 1, SPCM Group adopted the option that allows for resetting cumulative translation differences arising from changes in the equity of foreign subsidiaries to zero at 1 January 2006.

3.5 Translation of transactions in foreign currency

Recognition and measurement of transactions in foreign currency are defined by IAS 21 "The Effects of Changes in Foreign Exchange Rates". Transactions in currencies other than the euro are recognised at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in these other currencies are translated at the closing rate. Currency gains and losses resulting from translation are recognised in the income statement for the year.

However, for non-monetary assets and liabilities, all changes in fair value, including exchange rate changes, are recognised according to the principles that apply to the corresponding categories of financial assets to which they belong.

The consolidated financial statements have been prepared in accordance with the general principles of IFRS: fair presentation, going concern, accrual basis of accounting, consistency of presentation, materiality and aggregation. The historical cost basis of accounting is applied to all assets, with the exception of financial assets and financial instruments measured at fair value.

3.6 Transactions between shareholders, acquisitions and disposals of non-controlling interests after the acquisition date

In accordance with Revised IAS 27, acquisitions or disposals of non-controlling interests not involving a change in control are considered as transactions with Group shareholders. Under this approach, the difference between the price paid to increase the percentage of ownership in entities already controlled and the additional portion of share capital thus acquired is recorded under Group equity. In the same way, a reduction in the percentage of the Group's interest in an entity remaining under its control is accounted for under Group equity without impacting profit or loss.

Note 4 – ACCOUNTING PRINCIPLES

The Group's financial statements are prepared in euros, the presentation currency as well as the functional currency of the parent company.

4.1 Intangible assets

4.1.1 Development costs

In accordance with IAS 38 "Intangible Assets", research costs are recognised as an expense, and development costs must be capitalised if they meet the following conditions:
• Technical feasibility for the entity to complete the intangible asset so that it will be available for use or sale
• Entity intends to complete the development project for use or sale
• Ability of the entity to use or sell the asset
• It is likely that the future economic benefits generated by the intangible asset will accrue to the entity
• The entity possesses adequate technical, financial and other resources to complete the development and to use or sell the asset
• The cost of this intangible asset can be accurately measured

Capitalised expenditure includes staff costs, cost of materials and services used and directly attributable to the project in question, as well as all expenses directly attributable to a development project that meets the conditions for capitalisation. These assets are amortised from the date on which the products are first marketed or the industrial processes concerned are first used, over the estimated duration of the economic benefits expected from the project.
These assets are amortised over a period of four years. This period corresponds to the average lifespan for a commercial reference based on the Group's experience in this area.
These assets are amortised starting from the release date for production of a new commercial reference.

Development costs that do not meet the criteria defined by this standard are expensed in the period in which they are incurred.

On the basis of these criteria, development costs of €23.3 million were recognised as intangible assets at 31 December 2018 (including €6.2 million capitalised in fiscal 2018).

4.1.2 Goodwill

Positive goodwill from consolidated companies is recognised on the balance sheet under "Goodwill". As at the date when control is obtained, the excess of the purchase price over the net fair value of the acquiree's identifiable assets and liabilities is recognised under goodwill. The acquisition cost (or consideration transferred) is measured at the fair value of assets given, equity instruments issued or liabilities incurred or assumed at the acquisition date plus or minus any adjustments to the acquisition cost.

In accordance with IFRS 3 "Business Combinations", goodwill is not amortised. On the acquisition date, this goodwill is allocated to an identifiable cash-generating unit (CGU). Goodwill is tested for impairment at least once a year and whenever any evidence of impairment is identified. Procedures for conducting impairment tests and their recognition are given in note 4.3 "Impairment of fixed assets".

Goodwill is recorded in the balance sheet after deducting impairment losses that may be recognised. Impairment charges are recognised under "Recurring operating income" or "Non-recurring operating income and expenses" depending on the event underlying the impairment.

4.1.3 Other intangible assets

Other intangible assets are held in the balance sheet at cost less any cumulative amortisation and impairment losses. This item primarily concerns know-how and patents acquired in connection with the Group's activities and development, as well as software applications.

When they have finite useful lives, these assets are amortised on a straight-line basis over the periods corresponding to their estimated useful lives. The amortisation methods and useful lives are reviewed at least once a year. The estimated useful lives are as follows:

- Know-how for a period of 5 to 10 years according to the expected or foreseeable duration of the project
- Software over a period of 5 years

Assets with indefinite useful lives are not amortised, and are subject to an impairment test once a year (see note 4.3).

Subsequent expenditure on intangible assets is capitalised only if it is probable that such expenditure will enable the asset in question to generate future economic benefits in excess of its originally assessed standard of performance. Other expenditure is recognised as an expense when incurred.

4.2 Property, plant and equipment

Property, plant and equipment are stated at cost plus any incidental acquisition expenses. Depreciation is calculated on a straight-line basis over the asset's useful life.

Major items of property, plant and equipment that are replaced at regular intervals, used for different purposes or that generate economic benefits over different periods and require the application of specific depreciation rates or methods, are recognised separately upon initial recognition and when replaced.

The depreciation periods applied are as follows:

- Buildings: 15 to 25 years
- Installations and improvements: 10 years
- Plant and machinery: 15 years
- Other PP&E: 5 to 8 years

Component accounting for major repairs is not applicable to the Group. Furthermore the company has not capitalised any dismantling or decontaminating costs that may result from an obligation to restore the site.
Borrowing costs attributable to the financing of an asset and incurred during the construction period are included in the value of the asset, representing qualifying assets within the meaning of IAS 23 "Borrowing Costs".

The Group has chosen not to apply the revaluation option offered under IAS 16. As a result, no property, plant and equipment has been revalued.

In compliance with IAS 17 "Finance leases", fixed assets acquired through long-term finance leases or rental contracts are recognised at the lower of fair value and the present value of the minimum

lease payments when such leases or contracts transfer to the lessee substantially all the risks and rewards from ownership of the asset; the resulting fixed asset is then depreciated according to the above procedures.

Liabilities resulting from finance lease accounting are recorded under borrowings.

Grants financing part or the full cost of an item of property, plant or equipment are recognised as deferred income on the balance sheet and as income on the income statement.

4.3 Impairment of fixed assets

In accordance with IAS 36 "Impairment of Assets", the net carrying value of property, plant and equipment and intangible assets is tested whenever there is evidence of impairment, and reviewed at the end of each period. This test is performed at least once a year for fixed assets with an indefinite useful life including goodwill, and for fixed assets in progress.

Depreciated and amortised assets are subject to tests for impairment when, due to specific events or circumstances, there is evidence of impairment.

For the performance of these tests, fixed assets are grouped into cash-generating units (CGU). CGUs are homogeneous groups of assets whose continued use generates cash inflows largely independent of the cash inflows generated by other asset groups.

In practice, the cash-generating units correspond to a continental geographical region. Fixed assets attached to these CGUs primarily include equipment and other industrial installations (mainly buildings and machinery). Sales subsidiaries are attached to the CGU from which they primarily source their products, as they are the commercial outlets for the production sites and cannot therefore be disassociated from them.

The CGUs defined by the Group are as follows: Americas CGU, Asia CGU, Europe CGU and Other CGU. Details on the definition of CGUs are provided in note 7.1.

The impairment charge recorded amounts to the excess of the carrying amount of the CGU over its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

In practice, impairment tests are carried out in relation to the value in use of these units, calculated with reference to the present value of future net cash flows. Value in use calculation methods are stated under note 7.1.

Impairment thus calculated is first offset against goodwill, then against the CGU's other assets, up to their recoverable value.

Impairment charges for a CGU or an indefinite life asset are recorded under "Non-recurring income and expenses" or "Other operating income and expenses", depending on the origin of the impairment.

Goodwill impairment is only written back to income if the related entity is deconsolidated due to sale, liquidation, etc., except for equity-accounted companies.

For non-financial assets (other than goodwill) having incurred impairment, the additional impairment charge or the reversal, as the case may be, is reassessed at the closing date of each year or interim period.

4.4 Financial instruments

The measurement and recognition of financial instruments are defined by IAS 39 "Financial Instruments: Recognition and Measurement". Financial assets and liabilities are recognised in the Group's balance sheet when it becomes a party to the contractual provisions of an instrument. They are initially recognised at cost, i.e. at the fair value of the consideration given or received. Transaction costs directly attributable to the acquisition or issuance of a financial asset or liability are included on initial valuation of all financial assets and liabilities. Acquisition costs include direct external transaction costs. These transaction costs are only attributed to financial assets and liabilities not measured at fair value through profit or loss. Transaction costs are posted to the income statement in accordance with IAS 39.43 and 46.

4.4.1 Financial assets

Financial assets include non-current financial assets (mainly non-consolidated investments), current assets representing operating receivables, debt securities or investment securities.

There are no investments held to maturity.

Financial assets are stated according to their classification under IFRS 9, depending on how they are managed, as presented below:

- **financial assets stated at fair value through profit or loss (FVTPL):** the analysis results in non-consolidated investments and cash investments being assigned to this item.

- **financial assets measured at fair value through other comprehensive income (FVOCI):** no financial asset falls under this definition for the fiscal years presented.

- **financial assets measured at amortised cost (AC):** according to the analysis, other non-current financial assets (deposits and guarantees, material loans, etc.), trade receivables and current financial assets other than cash and cash equivalents are assigned to this item.

There are no other material financial assets with a significant financing component.

The standard provides that, if an equity investment is not held for trading, an entity can make an irrevocable election to recognise changes in the fair value in other comprehensive income, with no possibility of recycling through profit or loss.

In the exceptional cases provided for by the standard (lack of recent and/or reliable information, too wide a range of estimated values), the Group has adopted cost as the most appropriate estimate of fair value.

The table below shows the change in allocation relating to the application of IFRS 9 for each category of the Group's financial assets as of 1 January 2018. The categories of financial liabilities remain the same; these have therefore not been presented.

In € thousands	Original classification under IAS 39	New classification under IFRS 9	Book value under IAS 39	New book value under IFRS 9
Equity instruments	Available for sale - at cost	FVTPL	22,140	27,120
Equity instruments	Available for sale - at fair value	FVTPL	13,288	13,288

4.4.2 Financial liabilities

Financial liabilities include borrowings, other financing, bank overdrafts and operating payables.

Borrowings are initially recognised at the amount received net of borrowing costs. Subsequently, borrowings are measured at the payable balance under the effective interest method.

Other financial liabilities (trade payables, etc.) are measured at amortised cost. They contain no financing component.

4.5 Inventories and work in progress

Raw materials and traded goods are carried at actual purchase cost under the FIFO method.
Work in progress and finished goods are measured at production cost, including utilities and supplies and the share of direct and indirect manufacturing costs.

When the gross value determined according to the conditions described above is greater than the net realisable value, a provision for impairment is recorded for the difference.
Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale (mainly selling expenses).

Borrowing costs are not included in the measurement of inventory because of the short duration of the manufacturing cycle.

4.6 Trade receivables and other current assets

Trade receivables and other current assets largely consist of amounts owed by customers or loans due in less than one year that represent financial current assets. Such assets are recognised at fair value which, in practice, is close to their face value. They are discounted when they exceed one year. A provision is recorded when the recoverable amount is lower than the book value. The book value takes into account criteria such as late payments, financial difficulties and disputes.

This item also includes employee and tax-related receivables, which are measured at face value.

4.7 Factoring

In light of the terms and conditions accorded to the Group following the revamped non-recourse factoring agreement dated 30 December 2011 with FACTO CIC and with Wells Fargo in the United States in early 2016, the Company records the cash received from the sale of the receivables under "Cash and cash equivalents" and security deposits under "Other current receivables", while assigned receivables (which amounted to €91 million comprising €51 million in France and €40 million in the United States) are derecognised, mainly for the following reasons:

- The rights to cash flows from the assets assigned do not expire on the date of assignment;
- The rights to receive cash flows from the assets are transferred to the assignee (factor);
- The risks and rewards are substantially transferred to the factor. It is expressly stipulated under the terms of the contract that the factor shall not have recourse against SNF, in the event of the default of the assigned debtor for receivables guaranteed, and that late payment penalties are transferred to the factor. Based on historical statistics of contracting companies, the risk of default and late payment is nevertheless very low for all receivables assigned;
- Control of the asset is not retained by the Group;

Accounting for this means of financing is analysed on the basis of the decision tree provided under IFRS 9.

4.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term investments in money markets as well as amounts made available to us by the factor but unused.
Such assets are recognised and carried at fair value based on the last known price for the year. Changes in fair value are taken to income.

Cash equivalents are liquid investments readily convertible into cash and subject to an insignificant risk of changes in value.

4.9 Income tax

Income tax expense and income include current tax expense (income) and deferred tax expense (income).

Current tax is the estimated tax due based on taxable income for the period. It also includes adjustments to amounts of current taxes of prior periods.
Deferred tax is calculated per entity under the balance sheet method. Temporary differences between book and tax values of assets and liabilities result in deferred tax in accordance with the liability method based on year-end tax rates.

Differences are considered temporary when it is highly probable they will be reversed in the foreseeable future. Deferred tax assets resulting from temporary differences or unused tax losses are only offset against deferred liabilities with the same maturity, unless it is highly probable that they will be offset against future taxable income within the foreseeable future - generally considered to be from one to five years, or if the Group has decided to set up an internal tax accounting arrangement.

In compliance with IAS 12 "Income Taxes", deferred tax assets and liabilities are not discounted.

For balance sheet presentation purposes, deferred tax assets and liabilities are offset at the level of each tax entity.

The regional economic contribution tax or CET (*contribution economique territoriale*) is comprised of two different levies - one assessed on business property (*contribution foncière des entreprises* or CFE) and the other on added value (*cotisation sur la valeur ajoutée des entreprises* or CVAE). This latter contribution is assessed on the basis of added value generated by the company over the year. The Group has decided that CVAE meets the definition of income tax as defined by IAS 12.

4.10 Provisions

In compliance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recorded only if all of the following criteria are met:

- The Group has a present obligation arising from a past event;
- It is probable that an outflow of resources entailing economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Provisions are recorded in compliance with the above three principles in the event of tax litigation, contingencies for non-consolidated subsidiaries or any other event meeting the definition of a liability. A review of all litigation was undertaken at the end of the reporting period by management and outside counsel, when necessary, to determine the amounts required to cover the estimated risk involved.

Information on contingent assets and liabilities is provided in the notes where necessary and when the impact is a material.

Restoration of sites

Provisions are recorded for future expenditure for the restoration of sites resulting from a legal or constructive obligation on the basis of a reasonable estimate of their fair value in the period in which the obligation arises.

As a reverse entry for this provision, the costs of restoring sites are capitalised, included in the value of the underlying asset and amortised over its useful life.

The impact of the passage of time on the provision for restoring sites is measured by applying a discount effect to the provision amount.

At 31 December 2018, Group management has not identified any significant future expenditure for the restoration of sites, whether involving environmental clean-up or dismantling, as defined above, calling for the recognition of a provision and an underlying asset.

4.11 Employee benefits

4.11.1 Retirement plans and other post-employment benefits

In some countries, the Group has an obligation to pay retiring employees either retirement severance benefits or pension payments in accordance with formal retirement plans. The Group also has an obligation to make contributions to pension funds in countries where its subsidiaries operate. The accounting treatment of these retirement liabilities varies according to applicable provisions of these plans.

• Defined contribution plans

Under defined contribution plans, payments are made to a third-party organisation that releases the employer from any subsequent obligation, while the organisation assumes responsibility for paying the pension to the employee. For this reason, contributions are recognised as expenses when they fall due.

• Defined benefit plans

In accordance with Revised IAS 19 "Employee Benefits", the corresponding liabilities are calculated annually by independent actuaries under the projected unit credit method, taking into account actuarial assumptions that are updated for each valuation. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to determine the final obligation. The final obligation is then discounted.

Each country defines the criteria to be used to perform the actuarial calculations. These include primarily the following variables: expected staff pay increases, life expectancy, staff turnover and the discount rate.

The discount rate is calculated with reference to government bonds having a maturity close to that of the liabilities.

Actuarial gains and losses resulting from changes in assumptions or differences in results for the plan's investments or liabilities are recognised immediately under other comprehensive income and are not written back to income.
Gains and losses from a change in plan are immediately recognised under income.

4.11.2 Other long-term benefits

Some subsidiaries pay bonuses when giving length-of-service awards. The method used for calculating these liabilities is the same as that used for defined benefit plans, the only difference being that the benefits are paid at predetermined dates. Actuarial gains and losses arising from the plan's liabilities and changes are immediately recognised in income.

Note 5 - PRESENTATION OF THE INCOME STATEMENT

5.1 Revenue from ordinary activities

Revenue from ordinary activities represents the value, excluding tax, of goods and services sold by consolidated companies during their normal operating activities after eliminating intercompany sales.

Revenue is recognised when the risks and rewards of ownership of the goods have been substantially transferred to the buyer.

Revenue is recognised at the fair value of the consideration received or receivable, i.e. after deducting amounts for trade discounts, rebates and related items.

5.2 Construction contracts

Group companies whose activities fall under the scope of application of IAS 11 "Construction Contracts" include:

- FMI, whose activity consists in the construction of furnaces and drying installations for sludge treatment;
- SNF SA and SNF HC, which have been awarded several contracts for the installation of oil recovery units.

The Group recognises revenue and costs relating to construction contracts according to the cost-based percentage of completion method:

- The percentage of completion applicable to the contract is determined according to the ratio between costs incurred to date and expected costs to complete.
- The margin on completion of the construction contract is estimated on the basis of analyses of costs and revenue on completion, which are periodically revised at regular intervals over the duration of the contracts.

Contract costs on completion include:

- Materials purchased, outsourced studies, the costs of various contracts and services that relate directly to the contract;
- Costs for the time of personnel directly assigned to the contract, including social security charges.

Contract costs do not include financial expenses.

Provisions are recorded for the full amount of any probable losses on the contract from the moment they are identified.

Revenue from a contract consists of costs incurred and the margin recognised on a cost-based percentage of completion calculated for the contract according to the aforementioned method.

Revenue recognition is based on a number of estimates determined by monitoring the progress of the work and taking into account possibilities for unforeseen events in light of past experience. Consequently, adjustments may be made to these initial estimates over the term of the contract that may have a material effect on future results.

5.3 Operating expenses

Operating expenses include the cost of sales, research and development expenditure, selling and administrative expenses.

5.4 Other operating income and expenses

- Recurring

"Other recurring operating income/(expenses)" includes capital gains and losses from the disposal of assets not attributable to sold or discontinued operations.

- Non-recurring

"Non-recurring operating income and expenses" consists of material items that are unusual, abnormal or infrequent in their occurrence. These are detailed in note 8.5 "Non-recurring operating income and expenses".

5.5 Operating profit

Operating profit includes all expenses and income not resulting from financing activities, associates, discontinued operations and income tax.

5.6 Net interest expense

Net interest expenses include gross interest expenses, consisting of interest on borrowings under the effective interest method as well as amortisation of debt issuance expenses, from which income on cash investments is deducted.

5.7 Other financial income and expenses

"Other financial income and expenses" includes all other income and expenses relating to current borrowings and income and expenses relating to non-consolidated investments.

5.8 Earnings per share

Basic earnings per share is calculated using net income of the period attributable to the Group divided by the weighted average number of shares outstanding during the period.
Diluted earnings per share is identical to basic earnings per share as the Group does not have any equity instruments, such as stock options, or discontinued operations.

Note 6 – CONSOLIDATION SCOPE

6.1 Changes in Group structure

In 2018, the consolidation scope changed following the acquisition of a 64.31% equity stake in a distribution company. This company, based in Asia, was purchased for €2.7 million and has been fully consolidated. No goodwill was recognised, given that the amount paid corresponds to the entity's equity.

HAP, a company wholly owned by SPCM, was deconsolidated following its winding up, as was Tecnochemical, a company held by SNF HC (United States), which was wound up in 2018.

In 2017, the consolidation scope changed following the acquisition of equity interests that met the consolidation criteria applied by the Group. The main newly consolidated companies include:

- SNF Flopam India (created in 2016), SNF Water SPRL in Belgium (created in 2012) and SNF Coagulants in France (created in 2016), whose shares were not consolidated in 2016;
- SNF Saudi Arabia, a distribution subsidiary in which SPCM SA holds a 75% stake;
- Polychemie GmbH, our German distribution subsidiary, acquired the entire share capital of Reiflock, based in Germany and Austria, for €9 million in 2017.

Pursuant to Revised IFRS 3, the Group currently measures the fair value of the identifiable assets acquired and liabilities assumed and calculates the related amounts of deferred tax. Goodwill arising from the 2017 acquisition amounted to €8.6 million.

6.2 Consolidated companies

The following companies were consolidated at 31 December 2018:

Entities	SIREN	Country	Ownership interest (%)	Consolidation method
SPCM S.A.	312 327 737	France	Parent company	
SNF SA	430 006 643	France	100%	Full consolidation
FMI S.A.	961 502 564	France	99.99%	Full consolidation
SNF Coagulants	821 155 124	France	100.00%	Full consolidation
SNF Property Ltd		Australia	100%	Full consolidation
SNF UK Ltd		United Kingdom	100%	Full consolidation
SNF Japan		Japan	90%	Full consolidation
Tomooka Kaken Co. Ltd		Japan	51%	Full consolidation
SNF Italy		Italy	99.49%	Full consolidation
SNF Iberica		Spain	100%	Full consolidation
SNF Do Brasil		Brazil	100%	Full consolidation
Flopam Do Brasil		Brazil	100%	Full consolidation
SNF Taixing		China	100%	Full consolidation
SNF Korea		South Korea	100%	Full consolidation
Flonex AG		Switzerland	100%	Full consolidation
SNF Waters SPRL		Belgium	100%	Full consolidation
SNF Mexico		Mexico	99.50%	Full consolidation
SNF Canada		Canada	100%	Full consolidation
SNF Vostok		Russia	100%	Full consolidation
Flopam LLC		Russia	100%	Full consolidation
SNF India		India	100%	Full consolidation
Flopam India		India	100%	Full consolidation
SNF Chile		Chile	100%	Full consolidation
PPC		Sultanate of Oman	99%	Full consolidation
SNF Saudi Arabia		Saudi Arabia	75%	Full consolidation
Flomin Quingdao Chemical		China	100%	Full consolidation
SNF Holding Company		US	100%	Full consolidation
SNF Inc.		US	100%	Full consolidation
Flomin Inc.		US	100%	Full consolidation
Flomin Coal		US	100%	Full consolidation
Polydyne Inc.		US	100%	Full consolidation
Chemtall Incorporated		US	100%	Full consolidation
Flocryl Inc.		US	100%	Full consolidation
Floquip Engineering		US	100%	Full consolidation
SNF Turkey		Turkey	100%	Full consolidation
Polychemie Inc.		US	100%	Full consolidation
Polychemie GmbH		Germany	100%	Full consolidation
Reiflock		Germany & Austria	100%	Full consolidation
Chemquest		South Africa	95%	Full consolidation

Biomontan	Austria	50%	Full consolidation
Appalachian Chemical Services	US	100%	Full consolidation
Global Environmental Solutions Inc.	US	100%	Full consolidation
SNF Rudong	China	100%	Full consolidation

There were no joint ventures or joint operations.
Biomontan, a subsidiary 50% owned by SPCM, was fully consolidated from 31 December 2011, given that SPCM exercises de facto control for the following reasons:

- SPCM jointly manages the subsidiary through a sales director who is responsible for the region and oversees key accounts;
- They have common and complementary corporate purposes;
- Most products marketed by Biomontan come from the Group;
- The Group exerts a decisive influence over financial and commercial policy decisions;

The Group controls and will continue to control the financial and operational policies of Biomontan and no other controlling shareholder or group of shareholders is in a position to exercise exclusive control over this company. Biomontan is deemed to be under the Group's exclusive control for the reasons stated above and can therefore be fully consolidated from 2011.

6.3 Investments in associates

Investments in associates mainly involve manufacturing and commercial companies.

In € thousands	**2018**	**2017**
Gross amount		
Opening balance	3,804	3,512
Share in net income/(loss)	503	(87)
Changes in consolidation scope	0	0
First-time consolidation	0	0
Other changes	49	736
Currency translation adjustments	77	(358)
Closing balance	**4,433**	**3,804**

The contribution of associates to SPCM Group's financial statements as determined according to total assets (current and non-current), total liabilities (current and non-current), revenue and net income is not material. Goodwill exists for certain associates that have been tested in consequence according to the method described in note 7.1.

Direct and indirect holdings in these associates in which SPCM SA exercises a significant influence range between 25% and 50%.

6.4 Non-consolidated companies

As mentioned in note 3.1 "Basis of consolidation", certain companies controlled by the Group considered non-material in relation to the size of the Group have not been consolidated.

6.4.1 Details of non-consolidated companies at 31 December 2018

Amounts recognised under non-current financial assets are presented below:

In € thousands	Ownership interest (%)	31/12/2018 Fair value	31/12/2017
SNF Indonesia	100%	1,854	945
SNF Taipei	85%	948	354
Ao Tong Holding Pty	100%	853	853
SNF Singapore	100%	855	514
BZF	100%	809	1,021
Sokoflok	99%	433	424
SNF Holland	100%	3,616	677
SNF Oman	99%	1,212	682
Flomin South America	100%	96	147
SNF Argentina	100%	2,220	443
Hymo	10%	4,430	1,983
SNF Nordic Ab	100%	1,067	1,237
SNF Finland	100%	394	223
SNF RSA	100%	1,262	934
BM Allied	40%	2,406	830
SNF Adriatic	100%	1,098	2,700
SNF Colombia	100%	643	488
PT SNF Polymers Indonesia	100%	1,374	2,219
Korona	100%	916	1,664
Saronfloc	100%	433	1,623
SNF Portugal		1,186	52
SNF Thailand		612	80
SNF HC subsidiaries		0	87
Other		4,224	2,119
Total		**32,939**	**22,297**

6.4.2 Changes in non-consolidated companies in fiscal 2018

In € thousands	2018	2017
Gross amount		
Opening balance	28,780	33,142
Acquisitions/increases	2,986	1,247
Disposals	0	(1)
Changes in consolidation scope	(180)	(399)
Other changes	1,243	(4,903)
Currency translation adjustments	109	(305)
Closing balance	**32,939**	**28,780**
Provisions		
Opening balance	(6,484)	(5,531)
(Allowances)/reversals	2	(955)
Disposals	0	0
Changes in consolidation scope	0	0
Other changes	6,484	0
Currency translation adjustments	(2)	3
Closing balance	**0**	**(6,484)**
Opening net value	22,297	27,611
Closing net value	**32,939**	**22,297**

Acquisitions made during the year were mainly related to share issues carried out by distribution subsidiaries in the Americas region.

Note 7 – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Intangible assets

In accordance with IAS 36 and IAS 38, indefinite life fixed assets, namely goodwill, are no longer amortised but rather subject to annual impairment tests. Details on procedures for impairment tests are provided in the note below.

Other finite life intangible assets are amortised on a straight line basis over their useful lives. Allowances for amortisation are recognised under the operating margin.

2018 **In € thousands**	**Goodwill**	**Development costs**	**Patents**	**Other intangible assets**	**Advances and prepayments**	**Total**
Gross amount						
Opening balance	67,907	17,032	51,171	54,459	7,909	198,479
Changes in consolidation scope	(7,137)		2,128	6		(5,003)
Acquisitions/increases		25	1,382	2,032	7,085	10,523
Disposals/decreases		(25)	(3)	(149)	(340)	(518)
Other changes	39	6,260	114	446	(6,202)	657
Currency translation adjustments	1,718	(7)	365	1,766		3,842
Closing balance	**62,528**	**23,285**	**55,156**	**58,560**	**8,452**	**207,981**
Depreciation & impairment						
Opening balance	0	(11,367)	(38,801)	(34,739)	0	(84,908)
Changes in consolidation scope			(101)	(5)		(105)
Currency translation adjustments			(432)	(741)		(1,173)
Allowances		(2,387)	(2,450)	(3,860)		(8,697)
Impairment charges						0
Disposals		25	3	139		168
Other changes			(110)	54		(56)
Closing balance	**0**	**(13,729)**	**(41,890)**	**(39,152)**	**0.000**	**(94,771)**
Opening net value	**67,907**	**5,665**	**12,370**	**19,719**	**7,909**	**113,571**
Closing net value	**62,528**	**9,556**	**13,266**	**19,408**	**8,452**	**113,210**

The decrease in "Goodwill" is a result of the winding up of HAP, for which goodwill of €4.9 million had been recognised.

The change in "Advances and prepayments" comes from an increase in French intangible assets in progress (capitalised development costs) compared with the previous year.

Goodwill breaks down by geographical region as follows:

In € thousands	31/12/2018	31/12/2017
Europe	15,845	15,859
Americas	42,719	48,056
Asia	2,218	2,218
Other	1,745	1,775
Total	**62,528**	**67,907**

Data for 2017:

2017

In € thousands	Goodwill	Development costs	Patents	Other intangible assets	Advances and prepayments	Total
Gross amount						
Opening balance	65,100	12,263	48,042	49,287	8,410	183,103
Changes in consolidation scope	8,639			11		8,649
Acquisitions/increases		178	2,397	11,605	7,733	21,913
Disposals	(288)			(1,005)	(1,037)	(2,330)
Other changes		4,602	2,594	(161)	(7,197)	(162)
Currency translation adjustments	(5,543)	(10)	(1,863)	(5,279)		(12,696)
Closing balance	**67,907**	**17,032**	**51,171**	**54,459**	**7,909**	**198,479**
Depreciation & impairment						
Opening balance	0	(9,570)	(38,130)	(32,751)	0	(80,452)
Changes in consolidation scope				(0)		(0)
Currency translation adjustments			1,428	1,968		3,396
Allowances		(1,797)	(2,099)	(4,677)		(8,574)
Impairment charges						0
Disposals				195		195
Other changes			1	527		528
Closing balance	**0**	**(11,367)**	**(38,801)**	**(34,739)**	**0**	**(84,908)**
Opening net value	**65,100**	**2,693**	**9,912**	**16,536**	**8,410**	**102,651**
Closing net value	**67,907**	**5,665**	**12,370**	**19,719**	**7,909**	**113,571**

The change in "Advances and prepayments" comes from an increase in French intangible assets in progress (capitalised development costs) compared with the previous year.

The change in "Other intangible assets" primarily results from the €8 million acquisition of know-how and a customer list dedicated to a cosmetics application.

Goodwill is tested for impairment at the end of each period on the basis of five-year plans approved by the Board of Directors. These tests are conducted using the discounted cash flow (DCF) method applied at the level of the cash-generating units (CGU) as described in note 4.3.

The discount rate and perpetuity growth rate used in 2018 to estimate recoverable value were 7.80% and 2.50% for the "Americas" CGU (2017: 6.80% and 2.50%), 8.50% and 3.00% for the "Asia" CGU (2017: 8.10% and 3.00%), 8.4% and 2.00% for the "Europe" CGU (2017: 8.30% and 2.00%) and 9.9% and 1.50% for the "Other" CGU (2017: 10.00% and 2.00%).

Goodwill tested amounted to €15.8 million for the Europe region and €2.2 million for the Asia region. Otherwise, goodwill amounted to €42.7 million for the Americas CGU and €1.7 million for Rest of the World.

The pre-tax discount rates used for these calculations correspond to the weighted average cost of capital (WACC) and are applied to post-tax cash flows. Their use results in the calculation of recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows, as required by IAS 36. The assumptions used for revenue projections and terminal values for the Americas, Asia and Europe CGUs are in line with the business plans drawn up and take into account, in particular, the strong worldwide growth in demand for water and sludge treatment products.

No impairment was recognised following tests carried out on CGU goodwill in 2018 and 2017. These tests are performed every year in the fourth quarter.

Sensitivity testing performed at 31 December 2018, in the case of a reasonable variation (+/- 0.5%) in the underlying discount rate and perpetuity growth rate assumptions, has confirmed the net book values of the different CGUs. We did not identify any reasonably likely scenarios that could necessitate a material impairment charge against goodwill.

7.2 Property, plant and equipment

Property, plant and equipment at 31 December 2018:

2018 In € thousands	Land	Buildings	Plant and equipment	Other PP&E	Fixed assets in progress	Advances and prepayments	Total
Gross amount							
Opening balance	102,339	342,904	1,538,272	85,036	380,740	2,051	2,451,343
Changes in consolidation scope	0	1,069	822	240	32		2,163
Acquisitions/increases	1,172	1,897	17,078	3,495	278,374	422	302,438
Disposals	(1,814)	(4,931)	(29,415)	(1,104)	(1,005)	(1,282)	(39,552)
Other changes	(9,486)	55,881	177,576	3,622	(223,837)	1,687	5,443
Currency translation adjustments	188	6,791	34,584	2,077	(1,267)	13	42,385
Closing balance	**92,400**	**403,612**	**1,738,915**	**93,366**	**433,038**	**2,890**	**2,764,220**
Depreciation & impairment							
Opening balance	0	(129,884)	(643,798)	(45,941)	(1,555)		(821,178)
Changes in consolidation scope	0	(232)	(296)	(101)			(630)
Currency translation adjustments	0	(2,382)	(14,182)	(990)			(17,553)
Allowances	0	(15,112)	(116,970)	(6,446)			(138,528)
Other changes	0	117	70	65			252
Derecognition	0	1,819	25,888	1,074			28,782
Closing balance	**0**	**(145,674)**	**(749,289)**	**(52,338)**	**(1,555)**	**0**	**(948,855)**
Opening net value	**102,339**	**213,020**	**894,474**	**39,095**	**379,185**	**2,051**	**1,630,165**
Closing net value	**92,400**	**257,938**	**989,627**	**41,028**	**431,483**	**2,890**	**1,815,365**

Capital expenditure on property, plant and equipment in 2018 amounted to €302 million, mainly including the following items:

- US: purchase of land (€1 million), increased capacity (€112 million);
- China: increased capacity (€57 million);
- France: construction of various buildings on the Andrézieux site (€9 million), increased capacity (€51 million);
- UK: increased capacity (€21 million);
- Brazil: increased capacity (€11 million);
- India: acquisition of a real estate complex (€16 million).

Interest expense capitalised in accordance with IAS 23 amounted to €8.6 million in 2018 (2017: €11.2 million).

At 31 December 2018, fixed assets held under finance leases broke down as follows:

In € thousands	Land	Buildings	Plant and equipment	Other PP&E	Total
Gross amount					
Opening balance	3,851	54,639	13,476	352	72,319
Acquisitions/increases				53	53
Translation differences and other				(132)	(132)
Closing balance	**3,851**	**54,639**	**13,476**	**272**	**72,240**
Amortisation & depreciation					
Opening balance		(39,603)	(11,653)	(202)	(51,457)
Allowances/impairment charges		(2,014)	(219)	(84)	(2,317)
Translation differences and other				130	130
Closing balance		**(41,617)**	**(11,871)**	**(156)**	**(53,644)**
Opening net value	**3,851**	**15,037**	**1,824**	**150**	**20,862**
Closing net value	**3,851**	**13,022**	**1,605**	**117**	**18,595**

Property, plant and equipment at 31 December 2017

In € thousands	Land	Buildings	Plant and equipment	Other PP&E	Fixed assets in progress	Advances and prepayments	Total
Gross amount							
Opening balance	81,934	325,236	1,388,198	80,828	390,004	6,589	2,272,788
Changes in consolidation scope	0	0	478	129	15,779	1,862	18,249
Acquisitions/increases	27,231	5,201	53,961	4,624	316,656	0	407,673
Disposals	(1,218)	(6,764)	(34,103)	(2,077)	(1,687)	(6,080)	(51,928)
Other changes	207	45,046	244,195	7,890	(309,123)		(11,786)
Currency translation adjustments	(5,814)	(25,815)	(114,458)	(6,359)	(30,889)	(320)	(183,655)
Closing balance	**102,339**	**342,904**	**1,538,272**	**85,036**	**380,740**	**2,051**	**2,451,343**
Depreciation & impairment							
Opening balance	0	(125,662)	(609,143)	(44,497)	(1,555)		(780,858)
Changes in consolidation scope	0	0	(267)	(33)			(301)
Currency translation adjustments	0	8,295	45,570	3,069			56,934
Allowances	0	(19,858)	(109,042)	(5,941)			(134,842)
Other changes	0	(0)	42	(30)			11
Derecognition	0	7,342	29,043	1,491			37,877
Closing balance	**0**	**(129,884)**	**(643,798)**	**(45,941)**	**(1,555)**	**0**	**(821,178)**
Opening net value	**81,934**	**199,573**	**779,055**	**36,331**	**388,449**	**6,589**	**1,491,930**
Closing net value	**102,339**	**213,020**	**894,474**	**39,095**	**379,185**	**2,051**	**1,630,165**

At 31 December 2017, fixed assets held under finance leases broke down as follows:

In € thousands	Land	Buildings	Plant and equipment	Other PP&E	Total
Gross amount					
Opening balance	3,851	54,639	13,476	299	72,266
Acquisitions			0	57	57
Translation differences and other				(5)	(5)
Closing balance	**3,851**	**54,639**	**13,476**	**352**	**72,319**
Amortisation & depreciation					
Opening balance		(37,588)	(11,434)	(121)	(49,143)
Allowances/impairment charges		(2,014)	(219)	(101)	(2,334)
Translation differences and other				21	21
Closing balance		**(39,603)**	**(11,653)**	**(222)**	**(51,457)**
Opening net value	**3,851**	**17,051**	**2,042**	**178**	**23,123**
Closing net value	**3,851**	**15,037**	**1,824**	**129**	**20,862**

7.3 Equity interests

Non-current financial assets break down as follows:

2018 In € thousands	Non-consolidated investments	Other long-term investment securities	Receivables on interests	Loans	Deposits and guarantees	Other	Total
Gross amount							
Opening balance	28,780	141	4,016	7,459	764	1,758	42,917
Changes in consolidation scope	(180)		0	(88)		0	(268)
Acquisitions/increases	6,356	1	93	2,422	723	1,173	10,768
Disposals/repayments	0		(1,500)	(204)	(27)	(1,005)	(2,737)
Other changes	(2,126)	0	0	(255)	584	(7)	(1,804)
Currency translation adjustments	109	9	0	(62)	6	53	115
Closing balance	**32,939**	**151**	**2,609**	**9,271**	**2,050**	**1,971**	**48,991**
Provisions							
Opening balance	(6,484)	0	0	(38)	(112)	(84)	(6,717)
Changes in consolidation scope	0						0
Currency translation adjustments	(2)					(0)	(2)
(Allowances)/reversals	2						2
Impairment charges							0
Derecognition/other changes	6,484						6,484
Closing balance	**0**	**0**	**0**	**(38)**	**(112)**	**(84)**	**(233)**
Opening net value	**22,297**	**141**	**4,016**	**7,421**	**652**	**1,674**	**36,201**
Closing net value	**32,939**	**151**	**2,609**	**9,234**	**1,938**	**1,887**	**48,758**

Non-current financial assets consist mainly of equity interests in non-consolidated companies (€33 million) as described in note 6.4 "Non-consolidated companies".

The change in this item during the year primarily results from the capital increases carried out at non-consolidated trading subsidiaries (€1.2 million increase); other changes relate to shares in newly consolidated subsidiaries in 2018 (€4.9 million decrease).

Loans granted to non-consolidated subsidiaries in 2018 amounted to €11.8 million, compared to €11.4 million in 2017.

2017 In € thousands	Non-consolidated investments	Other long-term investment securities	Receivables on interests	Loans	Deposits and guarantees	Other	Total
Gross amount							
Opening balance	33,142	185	4,673	7,535	1,157	1,496	48,187
Changes in consolidation scope	(399)	37	0		2	0	(360)
Acquisitions/increases	1,247	0	2	528	61	216	2,053
Disposals/repayments	(1)	(68)	(659)	(114)	(403)	0	(1,244)
Other changes	(4,903)	0	0	(35)	0	99	(4,839)
Currency translation adjustments	(305)	(13)	0	(455)	(54)	(53)	(880)
Closing balance	**28,780**	**141**	**4,016**	**7,459**	**764**	**1,758**	**42,917**
Provisions							
Opening balance	(5,531)	0	0	(109)	(112)	(84)	(5,836)
Changes in consolidation scope	0						0
Currency translation adjustments	0	0				0	0
(Allowances)/reversals	(955)			71			(884)
Impairment charges							0
Derecognition/other changes	3	0				1	4
Closing balance	**(6,484)**	**0**	**0**	**(38)**	**(112)**	**(84)**	**(6,717)**
Opening net value	**27,611**	**185**	**4,673**	**7,426**	**1,045**	**1,411**	**42,351**
Closing net value	**22,297**	**141**	**4,016**	**7,421**	**652**	**1,674**	**36,201**

7.4 Other non-current assets

Other non-current assets consist mainly of current account loans by SPCM, SNF HC and SNF UK to non-consolidated subsidiaries, which amounted to €7 million and €13.7 million for 2018 and 2017 respectively.

7.5 Inventories and work in progress

In accordance with note 4.5 "Inventories and work in progress", inventories are measured at the lower of cost price or market value.

The value of inventories at 31 December 2018 and 2017 broke down as follows:

In € thousands	31/12/2018	31/12/2017
Raw materials	238,145	190,878
Work in progress	10,889	9,954
Finished goods	242,239	177,877
Trade goods	75,585	66,469
Total	**566,858**	**445,178**

7.6 Trade receivables/receivables & payables on long-term contracts

7.6.1 Trade receivables

In € thousands	31/12/2018	31/12/2017
Trade receivables	520,153	392,519
Provisions for doubtful trade receivables	(5,880)	(7,174)
Total	**514,272**	**385,345**

"Trade receivables" primarily comprise amounts owing from customers relating to the Group's operations.

The fair value of trade receivables represents their carrying value given their short-term maturities (less than 1 year).
The financial position of customers is reviewed periodically and provisions are recorded for any bad debt risks in view of age of the receivables and the customer's financial situation. During the year, the Group did not experience any significant difficulties with respect to the collection of trade receivables.

7.6.2 Trade receivables and payables on long-term contracts

Long-term construction contracts for which work is in progress are measured and presented as described in note 5.2 "Construction contracts".

In € thousands	31/12/2018	31/12/2017
Trade receivables	37,852	8,371
Trade payables	(24,541)	(3,211)
Construction contracts in progress, net	**13,311**	**5,160**

7.7 Financial assets and other current receivables

In € thousands	31/12/2018	31/12/2017
Advances and prepayments to suppliers	28,352	14,073
Receivables to be invoiced	8,079	7,198
Social security receivables	991	572
Tax receivables	6,613	11,613
VAT receivables	35,551	31,342
Insurance receivables	3,191	947
Current account loans to non-consolidated subsidiaries	146	23
Customer portfolio management receivables	9,087	6,773
Operating grant receivable	5,244	7,246
Prepaid expenses	7,928	6,368
Customs duty receivable	4,954	0
Financial assets	4,096	2,065
Other	5,813	7,493
Total	**120,044**	**95,714**

"Advances and prepayments to suppliers" increased sharply in 2018 (by €14 million), including €11 million from Chinese entities and €2.3 million from Indian entities.

The decrease in tax receivables is primarily due to a change of policy by our Indian subsidiary in the pooling of its receivables (€4.3 million increase).

The increase in VAT receivables is primarily due to the increase in VAT credit in France (€1.9 million) and China (€4.7 million), partly offset by a €2 million decrease in Brazil. Our Brazilian subsidiary obtained the agreement of the local State Department of Finance to offset the ICMS tax asset.

"Customs duty receivable" concerns our US subsidiary and corresponds to rebates on customs duty related to products imported to the United States.

Receivables for customer portfolio management include security deposits and reserves for repayments relating to the implementation of a factoring agreement in France in 2009 (see note 4.7 above).

7.8 Cash and cash equivalents

In € thousands	31/12/2018	31/12/2017
Marketable securities	331	313
Cash at bank	206,795	150,421
Gross cash and cash equivalents	**207,126**	**150,734**
Bank overdrafts	(159)	(59)
Net cash and cash equivalents	**206,967**	**150,675**

Marketable securities consist mainly of short-term investment securities carried at market price at 31 December for the period in question.

7.9 Equity

Breakdown of share capital

No changes were made to the share capital in 2017 and 2018.

At 31 December 2017, share capital amounted to €50.04 million divided into 4,549,000 shares each with a par value of €11. HFP SAS held 58.29% of SPCM's share capital.

At 31 December 2018, share capital amounted to €50.04 million divided into 4,549,000 shares each with a par value of €11. HFP SAS held 58.29% of SPCM's share capital.

Additional paid-in capital, retained earnings and reserves (before appropriation of earnings)

Undistributed earnings, including SPCM SA balance sheet reserves, amounted to €1,047.2M at 31 December 2018 (31 December 2017: €868.3M).

Treasury shares

The Group does not hold any treasury shares.

Dividends

In 2018, SPCM paid out a €0.22 per share dividend in respect of fiscal 2017 (AGM of 4 June 2018) amounting to €1 million.

On 7 November 2018 the Board of Directors authorised payment of a €0.40 per share interim dividend in respect of fiscal 2018, entailing a total dividend payout of €1.8 million.

Policy for managing equity

The Company is not subject to any specific regulatory or contractual obligations with respect to its share capital. The Group does not have a particular policy regarding the management of equity. The balance between outside financing and raising funds by the issuance of new equity capital is determined on a case-by-case basis according to circumstances and needs. For the purpose of monitoring its equity, the Company integrates the same items used for its consolidated equity.

7.10 Non-controlling interests

The change in non-controlling interests among consolidated companies breaks down as follows:

In € thousands	31/12/2018	31/12/2017
Opening balance	16,211	13,728
Share of income of subsidiaries	3,634	1,628
Dividends paid to non-controlling interests	(13)	(161)
Changes in consolidation scope	1,150	1,693
Other changes	(207)	300
Currency translation adjustments	92	(977)
Total	**20,867**	**16,211**

The change in minority interests in 2018 mainly results from the improvement in the profit margins of these entities.

The change in minority interests in 2017 mainly results from the first-time consolidation of SNF Saudi Arabia, a distribution subsidiary created during the year.

7.11 Other provisions

Provisions break down as follows:

	31/12/2018		31/12/2017	
In € thousands	**Non-current**	**Current**	**Non-current**	**Current**
Pension and similar liabilities	40,058	1,256	36,010	920
Lawsuit contingency provisions	0	318	0	338
Other contingencies	787	586	1,060	2,540
Provisions for subsidiary customer risks	188	135	700	71
Tax risks	1,672	300	171	0
Total	**42,705**	**2,596**	**37,942**	**3,869**

Provisions are divided into current and non-current categories according to their respective portions applicable within or after one year.

Provisions for pensions and similar liabilities were increased by €4 million in 2018, mainly to reflect the increased headcount and adjustments in career-related actuarial assumptions (France), an increase which has been offset by a discount rate reduction.

Discount rate	31 December 2018	31 December 2017
France	1.82%	1.70%
US	4.20%	3.75%

Changes in these provisions (excluding pensions and similar liabilities) for the year break down as follows:

In € thousands	**01/01/2018**	**Additions**	**Reversals of unused provisions**	**Provisions used in the period**	**Other changes**	**31/12/2018**
Lawsuit contingency provisions	338	212		(232)	0	318
Other contingencies	3,652	84		(2,168)	(65)	1,502
Provisions for subsidiary customer risks	719	188		(711)		195
Tax risks	171	1,867			(66)	1,972
Total	**4,880**	**2,350**	**0**	**(3,112)**	**(131)**	**3,988**

Provisions for subsidiary risks

Provisions no longer exist covering risks relating to the share in the negative equity of non-consolidated subsidiaries.

Lawsuit contingency provisions

Certain subsidiaries are defendants in litigation and claims by third parties. Provisions for these contingencies have been estimated according to the principle described in note 4.10.

At 31 December 2018, lawsuit contingency provisions included:

	31/12/2018		31/12/2017	
In € thousands	**Current**	**Non-current**	**Current**	**Non-current**
Waste elimination contingencies	60	0	60	0
Local administration litigation/contingencies	300	1,672	0	171
Sales-related litigation/contingencies	0	188	1,974	700
Staff-related litigation/contingencies	318	0	338	0
Other litigation and contingencies	662	787	576	1,060
Total	**1,340**	**2,647**	**2,949**	**1,931**

Tax risks with local authorities concern ICMS duties in Brazil (€1.7 million) and the tax audit in France (€0.3 million).

The reduction in the provision for "sales-related litigation/contingencies", compared to 31 December 2017, is due to the closure of the proceedings in which our Australian subsidiary was involved (€2 million in 2017).

7.12 Employee benefits and equivalent

7.12.1 Post-employment benefits

Assumptions

Provisions recorded for pension and similar liabilities in accordance with note 4.11 mainly concern France and the US.

These liabilities are determined by actuaries based on given assumptions that are reviewed each year.

	France		US	
Assumptions	**2018**	**2017**	**2018**	**2017**
Economic assumptions				
Wage growth rate*	1.8% to 3.5%	1.5% to 3.5%	2.98% to 6.20%	2.98% to 6.20%
Discount rate	1.82%	1.70%	4.20%	3.75%
Expected rate of return on plan assets	1.82%	1.70%	4.20%	3.75%
Average remaining working lives	13.1 years	13.1 years	18 years	18 years
Social security charge rate	40 to 50%	40 to 50%		
Demographic assumptions				
Retirement age	60 to 62 years	60 to 62 years	65 years	65 years
Employee mobility rate*	0.8% to 5%	0.5% to 6%	3% to 17%	3% to 17%
Mortality tables	TGH & TGF 05	TGH & TGF 05	RP 2006	RP 2006
	INSEE F/H 2013-2015			

** Rates indicated depend on age and social and professional categories*

The investment rate of return is the same as the discount rate applied to the liability in accordance with Revised IAS 19.

Information on financial assets and recognised expenses

The liability and recognised expense break down as follows:

	31/12/2018			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability	(19,871)	(80,179)	(2,754)	(102,804)
Present value of fund assets	1,580	61,239		62,818
UNDERFUNDED LIABILITY	**(18,291)**	**(18,940)**	**(2,754)**	**(39,986)**

	31/12/2017			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability	(17,614)	(76,951)	(2,122)	(96,687)
Present value of fund assets	1,479	59,447		60,926
UNDERFUNDED LIABILITY	**(16,135)**	**(17,504)**	**(2,122)**	**(35,761)**

The detailed breakdown of changes in the financial position of plans at 31 December 2018 was as follows:

	31/12/2018			
In € thousands	**France**	**US**	**Other countries**	**Total**
Present value of liability				
Opening balance	(17,614)	(76,951)	(2,123)	(96,688)
Service costs	(1,512)	(3,125)	(570)	(5,207)
Interest costs	(290)	(2,990)		(3,280)
Past service costs		0		0
Benefit payments	87	1,362		1,449
Actuarial gains/(losses)	(544)	5,175		4,631
Currency translation adjustments and other		(3,649)	(61)	(3,710)
Closing balance	**(19,871)**	**(80,179)**	**(2,753)**	**(102,804)**
Present value of fund assets				
Opening balance	1,479	59,447	0	60,926
Return on plan assets	27	2,215		2,242
Employer contributions	300	2,882		3,182
Benefit payments	(162)	(1,362)		(1,524)
Actuarial gains/(losses)	(64)	(4,763)		(4,827)
Currency translation adjustments and other	0	2,819		2,819
Closing balance	**1,580**	**61,239**	**0**	**62,818**

The detailed breakdown of the financial position of plans at 31 December 2017 was as follows:

In € thousands	France	US	Other countries	Total
		31/12/2017		
Present value of liability				
Opening balance	(14,303)	(74,569)	(1,743)	(90,615)
Service costs	(1,426)	(2,712)	(447)	(4,585)
Interest costs	(248)	(2,819)		(3,067)
Past service costs		0		0
Benefit payments	479	1,193		1,672
Actuarial gains/(losses)	(2,117)	(7,072)		(9,189)
Currency translation adjustments		9,028	68	9,096
Closing balance	**(17,614)**	**(76,951)**	**(2,123)**	**(96,688)**
Present value of fund assets				
Opening balance	1,643	57,957	0	59,601
Return on plan assets	25	2,125		2,150
Employer contributions	28	2,752		2,780
Benefit payments	(338)	(1,193)		(1,531)
Actuarial gains/(losses)	49	4,823		4,872
Currency translation adjustments and other	71	(7,017)		(6,946)
Closing balance	**1,479**	**59,447**	**0**	**60,926**

In the United States, pension liabilities are partly covered by independent investment funds, the current value of which amounts to €61.2 million. These funds break down as follows:

- Bonds: 58%
- Equities: 40%
- Real estate: 2%

The value of independently managed funds at 31 December 2017 stood at €59.4 million with a similar breakdown to that of 2018.

In France, pension liabilities are funded via insurance companies and banks. These funds amount to €1.6 million and break down as follows:

- Money market: 78%
- Equities: 15%
- Bonds: 7%

For 2017, the breakdown was broadly similar to that of 2018.

The impact of changes in these plans on the financial statements breaks down as follows:

Balance sheet

				2018
In € thousands	**France**	**US**	**Other countries**	**Total**
Balance of the prior period	(16,135)	(17,504)	(2,123)	(35,762)
Costs of the period	(1,775)	(3,900)	(570)	(6,245)
Benefit payments net of fund reimbursements	(75)			(75)
Plan contributions	300	2,882		3,182
Actuarial gains/(losses)	(608)	412		(196)
Reclassifications				0
Currency translation adjustments and other		(830)	(61)	(891)
Closing balance	**(18,292)**	**(18,940)**	**(2,754)**	**(39,986)**

				2017
In € thousands	**France**	**US**	**Other countries**	**Total**
Balance of the prior period	(12,659)	(16,612)	(1,743)	(31,014)
Costs of the period	(1,577)	(3,406)	(447)	(5,431)
Benefit payments net of fund reimbursements	142			142
Plan contributions	28	2,752		2,780
Actuarial gains/(losses)	(2,068)	(2,249)		(4,317)
Reclassifications				0
Currency translation adjustments and other		2,011	68	2,079
Closing balance	**(16,135)**	**(17,504)**	**(2,123)**	**(35,762)**

Income statement

In € thousands	France	US	Other countries	Total
				2018
Annual service costs	1,512	3,125	570	5,207
Financial costs of the liability	290	2,990		3,280
Financial income from fund investments	(27)	(2,215)		(2,242)
Cost of the period (in operating income and expense)	**1,774**	**3,900**	**570**	**6,244**

In € thousands	France	US	Other countries	Total
				2017
Annual service costs	1,354	2,712	447	4,514
Financial costs of the liability	248	2,819		3,067
Financial income from fund investments	(25)	(2,125)		(2,150)
Cost of the period (in operating income and expense)	**1,577**	**3,406**	**447**	**5,431**

7.12.2 Other long-term benefits

Liabilities for length-of-service awards in France are reviewed by actuaries and amounted to €1,327,000 at 31 December 2018.

The discount rate applied for 2018 was 1.57% (2017: 1.30%).

7.12.3 Sensitivity testing of the liabilities

In France, applying a 1.57% discount rate would increase the liability by some €0.6 million, while a 2.07% discount rate would lead to a €0.6 million reduction.
In the United States, a 4.10% discount rate would increase the liability by some €3.2 million, while a 4.60% discount rate would lead to a €3 million reduction.

7.13 Borrowings

7.13.1 Gross borrowings at 31 December 2018 and 2017

In € thousands	31/12/2018	31/12/2017
Bond debt	921,817	921,078
Bank borrowings	480,009	239,740
Bank lines and overdrafts	473	653
Other borrowings	3,804	2,113
Employee profit-sharing	847	805
Non-current borrowings	**1,406,949**	**1,164,389**
Bank borrowings	45,315	59,816
Employee profit-sharing	354	360
Other borrowings	63	56
Bank lines and overdrafts	244	426
Current borrowings	**45,976**	**60,658**
Gross borrowings	**1,452,925**	**1,225,047**

IAS 39 defines the qualitative and quantitative criteria used to determine whether changes in the terms of an initial loan constitute the extinguishment of the liability.

Following an assessment of this case, we decided not to derecognise the liability and therefore to maintain the origin liability.

In accordance with paragraph AG62 of IAS 39, the initial loan is not considered to qualify for derecognition. The previous costs continue to be amortised over a period extended until September 2025.

These debt issuance costs are amortised on a straight-line basis over the 8-year term of the bond issue.

SPCM has a €350 million revolving credit facility. As at 31 December 2018, €111 million had been drawn down (€164.7 million at 31 December 2017). Through an amendment dated 22 June 2018, this agreement has been modified as follows:

- the final maturity date was extended to 31 July 2023 with the possibility of further extension;
- an adjustment of financial ratios: the debt ratio was raised from 3.5 to 4.

The breakdown of borrowings and debt by maturity is presented below:

In € thousands	31/12/2018	31/12/2017
2018		60,658
2019	45,976	27,427
2020	10,082	1,241
2021	65,978	4,135
2022	52,500	161,977
2023	650,927	552,699
From 2024 onwards	627,462	416,910
Total	**1,452,925**	**1,225,047**

This syndicated credit facility was established for SPCM. This facility includes a *pari passu* clause with the other bond debts.

The interest rate applied to amounts borrowed corresponds to the benchmark rate in the borrowing currency plus a variable margin.

7.13.2 Covenants

The continued availability of the revolving line of credit is subject to compliance with financial ratios tested every 12 months at the end of the first half, or at the closing date of the fiscal year in question.

These ratios correspond to consolidated net debt divided by consolidated EBITDA, and consolidated EBITDA divided by consolidated interest expense. The definitions of consolidated net debt, consolidated EBITDA and consolidated interest expense are set out in the credit agreement signed in July 2015 and modified by the June 2018 amendment.

For each ratio test period, the Group undertakes to maintain:

- a debt ratio equal to or less than 4.00, and
- an interest coverage ratio of at least 4.00.

The margin applicable to credit facilities is adjustable according to the debt ratio calculated for the fiscal year covered by the annual consolidated financial statements or the period ending 30 June of each year covered by the interim financial statements.

Covenants were in compliance in 2018 and 2017.

Breakdown of current borrowings:

In € thousands	31/12/2018	31/12/2017
Other borrowings	36,924	52,681
Finance lease debt	244	426
Current account borrowings	63	50
Bank overdrafts	159	59
Accrued interest on borrowings	8,232	7,082
Employee profit-sharing	354	360
Current borrowings	**45,976**	**60,658**

The "Other borrowings" line item reflects financing for working capital requirements of Chinese and Japanese subsidiaries and amounts borrowed to finance the acquisition of property and equipment for the UK, US and German subsidiaries.

The characteristics of these borrowings are as follows:

2018 In € thousands	Balance sheet amount	Issuance currency	Maturity	Effective rate
NON-CURRENT				
Employee profit-sharing	847	EUR	2020 to 2022	
Finance lease debt	473	EUR/CAD	2020 to 2024	Variable Euribor
Current account borrowings	3,804	EUR		Variable
Bond debt	921,817	EUR/USD	2023 and 2025	2.875% and 4.875%
Borrowings/France	445,853	EUR/USD	2020 to 2026	Variable Euribor/Libor
Borrowings/US	31,024	USD	2020 to 2022	Variable Libor
Borrowings/other countries	3,131	GBP/KRW/CNY	2020 to 2024	Variable
TOTAL NON-CURRENT	**1,406,949**			
CURRENT				
Employee profit-sharing	354	MXN	2019	
Finance lease debt	244	EUR/CAD	2019	Variable Euribor
Bank borrowings	159		2019	Variable
Borrowings/France	0	EUR	2019	Variable Libor
Current account borrowings	64		2019	
Borrowings/France	17,387	EUR	2019	Euribor 1 yr + margin
Borrowings/other countries	27,768		2019	Variable
TOTAL CURRENT	**45,976**			

7.13.3 Net borrowings

In € thousands	31/12/2018	31/12/2017
Non-current borrowings	1,406,949	1,164,389
Current borrowings	45,976	60,658
Gross borrowings	1,452,925	1,225,047
Gross cash and cash equivalents	(207,126)	(150,734)
Derivatives		
Net borrowings	**1,245,799**	**1,074,313**

Net borrowings include all current and non-current borrowings less cash and readily realisable cash equivalents with maturities of less than one year.

7.13.4 Average cost of debt

The average pre-tax cost of debt for fiscal 2018 was 3.57%.

	2018	2017
Average cost of debt	3.57%	3.83%

This was determined on the basis of the average value of drawn-down credit lines over the year, adjusted for the weighted gross interest expense (including amortisation of debt issuance costs) for each category of debt.

7.14 Trade payables and other liabilities

Trade payables and other liabilities break down as follows:

	31/12/2018		31/12/2017	
In € thousands	**Non-current**	**Current**	**Non-current**	**Current**
Operating payables	3,803	361,500	3,203	299,265
Payables to fixed asset suppliers	1,039	25,337	0	34,468
Tax and social security liabilities	0	55,247	0	51,606
Other payables	21,578	42,761	1,763	22,103
TOTAL	**26,420**	**484,845**	**4,966**	**407,442**

The increase in "Operating payables" and "Tax and social security liabilities" mainly results from the significant growth in business volumes in 2018.

The increase in "Other payables" is the result of signing a supply agreement in the United States for the provision of products over the next ten years.

7.15 Book value and fair value of financial instruments

7.15.1 Financial instruments

The book value of financial assets and liabilities by accounting category defined under IFRS 9 is as follows:

31/12/2018 In € thousands	Carrying value	Financial assets measured at FVTPL	Assets- Financial liabilities at amortised cost
ASSETS			
Equity instruments	32,939	32,939	
Other financial assets	7,131		7,131
Loans and financial receivables	12,784		12,784
Current account borrowings	7,047		7,047
Trade receivables	514,272		514,272
Cash and cash equivalents	207,126	207,126	
TOTAL	**781,299**	**240,066**	**541,234**
LIABILITIES			
Bonds	912,287		912,287
Other bank borrowings	534,695		534,695
Borrowings under finance lease agreements	717		717
Current account borrowings	3,867		3,867
Other borrowings	1,200		1,200
Bank overdrafts	159		159
Trade payables	390,957		390,957
TOTAL	**1,843,882**	**0**	**1,843,882**

The fair value of the €986.7 million high yield bond issues carried out by the Group (€550 million plus US$500 million, equivalent to €436.7 million) amounted to €936.1 million at 31 December 2018. The euro bonds are quoted at 100.1% and the USD bonds at 88.3% of par.

31/12/2017			Breakdown by category of financial instruments			
In € thousands	Carrying value	Fair value	Available-for-sale assets	Loans, receivables and debt	FVTPL	Debt at amortised cost
ASSETS						
Equity interests	22,297	22,297	22,297			
Other non-current financial assets	13,904	13,904		13,904		
Other non-current assets	13,692	13,692		13,692		
Trade receivables	385,345	385,345		385,345		
Other current receivables	118,786	118,786		118,786		
Current financial assets	2,065	2,065		2,065		
Cash and cash equivalents	150,734	150,734			150,734	
TOTAL	**706,823**	**706,823**	**22,297**	**533,793**	**150,734**	
LIABILITIES						
Non-current financial liabilities	1,164,389	1,178,059				1,164,389
Other non-current liabilities	4,966	4,966		4,966		
Trade payables	299,265	299,265		299,265		
Other current liabilities	117,588	117,588		117,588		
Current financial liabilities	60,658	60,658				60,658
TOTAL	**1,646,867**	**1,660,536**	**0**	**421,819**	**0**	**1,225,047**

The fair value of trade receivables and other current receivables (assets held to maturity) represents their book value, given their short-term maturities.

Non-current financial assets mainly include non-consolidated equity interests, receivables on these interests and receivables due in more than one year. These assets are carried at their acquisition cost, which according to the Group's estimates represents their fair value in the absence of an active market.

Loans and borrowings, in the absence of quoted prices on an active market, are measured on the basis of future cash flows, item by item, discounted up to the closing date based on the rates observed on the market at period end for comparable types of debt instruments.

7.15.2 Cash and cash equivalents

The policy for managing financial risks is presented in note 7.15.

At 31 December 2018, the Group held marketable securities totalling €331,000 at various financial institutions, with a limited risk of default. Surplus cash balances are invested in short-term marketable securities without any risk of loss.

7.15.3 Fair value of financial instruments

The fair value of financial instruments held by the Group is calculated whenever it can be reliably estimated on the basis of market data for assets considering that they are not intended to be sold.

For this purpose, the Group uses the method for measuring financial instruments based on a hierarchy of fair value:

- Level 1: fair value is based on unadjusted quoted prices on markets for identical assets and liabilities;
- Level 2: fair value is based on observable level 1 quoted prices for the asset or liability in question, either directly (i.e. prices) or indirectly (i.e. data derived from prices);
- Level 3: fair value is based on data relating to the assets or liabilities that is not derived from observable market data.

The following table presents the fair value breakdown of these three levels for financial assets and liabilities measured at fair value:

	31 December 2018			
In € thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity interests		32,939		**32,939**
Cash and cash equivalents	207,126			**207,126**
Derivative liabilities		0		**0**

In 2017, we transferred equity interests to Level 2 in view of the valuation method applied.

	31 December 2017			
In € thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity interests		22,297		**22,297**
Cash and cash equivalents	150,734			**150,734**
Derivative liabilities				**0**

7.16 Management of risks relating to financial instruments

Management of credit risk, liquidity risk and market risk is centralised and monitored by the Finance Department. Based on changes in the Group's various exposures, positions are bought and sold to minimise risk.

7.16.1 Credit risk

In connection with its cash management activities, the Group has an exposure to credit risk. Market transactions are carried out within authorisation limits set by the Finance Department for each counterparty. For the Group, counterparties for financial instruments include:

- for trade receivables, accounts receivable (consisting mainly of receivables related to commercial arrangements with suppliers) for which the Group has trade payables for at least an equivalent amount;
- for cash and cash equivalents, banks or high quality institutions with excellent ratings from the rating agencies.

Impairment for trade receivables is recorded on a case-by-case basis when it is significantly likely that all or part of the amount will not be collected.

Aged trial balance for trade receivables

In € thousands	31/12/2018		31/12/2017	
Not due	369,893		275,672	
Due:	150,259		116,757	
- < 30 days overdue		57,127		66,471
- 30-120 days overdue		63,997		45,099
- > 120 days overdue		29,136		5,187
Provisions	(5,880)		(7,174)	
TOTAL	**514,272**	**150,260**	**385,255**	**116,757**

7.16.2 Liquidity risk

The Group has short and medium-term credit lines (see note 7.13) with top-tier banks that provide it with flexible sources of funds. Drawing on its internal analysis tools, the role of the Finance Department is to maintain sufficient liquidity at all times, by managing Group cash and ensuring secure financing in terms of duration and legal conditions. At 31 December 2018, €1,453 million out of total drawing rights of €1,718 million had been drawn down under credit facilities.

At 31 December 2018, undiscounted contractual flows (principal and interest) for the total outstanding amount of financial liabilities by maturity date broke down as follows:

at 31 December 2018

In € thousands	2019	2020	2021	2022	2023	> 5 yrs	Total	Carrying value
Derivative financial instruments	0						0	0
Trade and other payables	0	0		0	0		0	0
Drawdowns of credit facilities	45,731	9,921	65,824	52,343	650,926	627,462	1,452,208	1,452,208
Variable-rate finance leases	244	161	154	157	1	0	717	717
Other borrowings	0						0	0
Other payables								
Other financial liabilities								
TOTAL	**45,975**	**10,082**	**65,978**	**52,500**	**650,927**	**627,462**	**1,452,925**	**1,452,925**

at 31 December 2017

In € thousands	2018	2019	2020	2021	2022	> 5 yrs	Total	Carrying value
Derivative financial instruments	0						0	0
Trade and other payables	465	0		0	0		465	465
Drawdowns of credit facilities	60,232	27,233	1,089	3,983	161,822	969,609	1,223,968	1,223,968
Variable-rate finance leases	426	194	152	152	155	0	1,078	1,078
Other borrowings	0						0	0
Other payables								
Other financial liabilities								
TOTAL	**61,123**	**27,427**	**1,241**	**4,135**	**161,977**	**969,609**	**1,225,512**	**1,225,512**

7.16.3 Market risks

In connection with its operations, the Group may have various exposures to foreign exchange and interest rate risks. The policy for managing these risks is described below.

a) Foreign exchange risk

A large proportion of the Group's sales are in currencies other than the euro, particularly US dollars, Chinese renminbi yuan, Australian dollars, pound sterling, Brazilian reals, Japanese yen, and South Korean won. These sales in foreign currencies are primarily carried out by the Group's subsidiaries in their functional currency and consequently do not generate foreign exchange transaction risk at their level.

The Group's primary foreign exchange transaction risks arise from inter-company invoicing between Group companies when they invoice or purchase products or services in a currency other than their operating currency:

- For export transactions of production subsidiaries located in euro, dollar or renminbi yuan regions and exporting in their operating currency or US dollars rather than the local currency of the sales subsidiary;
- For import transactions of goods from external suppliers that invoice in US dollars.

The following table summarises the sensitivity of the Group's consolidated income statement to a 10% increase or decrease in exchange rates in relation to the euro linked to the translation of transactions recorded by the subsidiaries in foreign currencies.

	Contribution to the consolidated financial statements					Sensitivity to fluctuations of the main currencies versus the euro	
In € thousands	**EUR**	**USD**	**CNY**	**OTHER**	**TOTAL**	**+10 %**	**-10 %**
Revenue	584,041	1,610,070	320,751	508,429	**3,023,291**	229,823	(229,823)
EBITDA	51,519	264,928	48,963	57,641	**423,051**	33,178	(33,178)
Operating profit	13,324	177,813	32,907	47,050	**271,094**	22,591	(22,591)

Because of the Group's international presence, its balance sheet is exposed to fluctuations in foreign exchange rates.
A change in the euro affects the translation in the consolidated balance sheet of assets and liabilities of subsidiaries stated in foreign currencies.

The following table summarises the sensitivity of the main balance sheet aggregates of the Group to a 10% increase or decrease in exchange rates in relation to the euro.

	Contribution to the consolidated financial statements						Sensitivity to fluctuations of the main currencies versus the euro	
In € thousands	**EUR**	**USD**	**CNY**	**JPY**	**OTHER**	**TOTAL**	**+10 %**	**-10 %**
Gross borrowings	895,960	552,414	781	1,610	2,159	**1,452,924**	55,696	(55,696)
Trade receivables	103,270	192,857	95,178	16,989	105,978	**514,272**	41,100	(41,100)
Trade payables	117,992	139,160	60,538	6,299	37,511	**361,500**	24,351	(24,351)

b) Interest rate risk

The SPCM Group policy for managing interest rate risk is based on three objectives, covering security, liquidity and profitability. Management of interest rate risk is centralised and monitored on a periodic basis by the Finance Department.

Most (87.9%) of the Group's consolidated debt is at fixed rates.

In connection with its financing activities and based on an assessment of exposure to interest rate risk, SPCM SA may use financial instruments to reduce exposure and minimise interest costs. Use of such hedging instruments has not been made.

Breakdown of commitments subject to interest rate risks

In € thousands	Credit lines	Property finance leases
2019	17 154	0
2020	10 813	0
2021	9 492	0
2022	9 948	0
From 2023 onwards	124 374	
Rate	Euribor/Libor	
Hedging	None	

Analysis of gross borrowings by type of rate

At 31 December 2018, 87.9% of Group gross borrowings were at fixed rates, mainly consisting of the €987 million bond issue, and 12.2% at floating rates.

Sensitivity analysis of interest rate risks

The analysis of sensitivity is based on the situation of the floating-rate portion of net debt at year-end, with no hedging instruments used at that date.
For interest rate risks, sensitivity corresponds to an immediate 1% increase or decrease in the yield curve relative to prevailing interest rates at year-end.

At 31 December 2018, the impact of an immediate 1% increase in all yield curves would increase the Group's net interest expense by €3.8 million. Group net income after tax at the actual tax rate would reduce by €2.5 million.

At 31 December 2018, the impact of an immediate 1% decrease in all yield curves would reduce Group net interest expense by €0.6 million. Group net income would increase by €0.4 million.

NOTE 8: NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1 Revenue

By type

In € thousands		2018	2017
Sales	(1)	2,934,336	2,435,232
Services		88,954	32,458
TOTAL		**3,023,290**	**2,467,690**

(1) Revenue from construction contracts amounted to €54.9 million in 2018 and €6.9 million in 2017.

By geographical region

In € thousands	2018	2017
France	76,321	67,972
Europe	503,661	463,296
Americas	1,514,445	1,187,302
Asia	834,032	677,968
Other countries	94,831	71,152
TOTAL	**3,023,290**	**2,467,690**

8.2 Operating expenses

In € thousands		2018	2017
Cost of sales		(2,519,832)	(2,060,947)
Selling expenses		(119,178)	(110,800)
Research and development expenditure		(45,024)	(42,144)
General and administrative expenses		(69,693)	(67,838)
TOTAL	(1)	**(2,753,727)**	**(2,281,729)**

(1) Operating expenses on construction contracts amounted to €32.7 million in 2018 and €3.3 million in 2017.

8.3 Staff costs

Breakdown of staff costs

In € thousands	2018	2017
Salaries and wages (excluding temporary personnel)	(237,617)	(219,577)
Social security charges	(75,993)	(67,363)
Statutory and optional employee profit-sharing	(306)	(387)
Total staff costs	**(313,916)**	**(287,327)**

The CICE tax credit for competitiveness and jobs introduced in France in 2013, which generated income of €1.8 million in 2018 (2017: €2 million), was deducted from staff costs.

Breakdown of personnel at year-end by category

Personnel employed by consolidated companies break down as follows by category:

Category	31/12/2018	31/12/2017
Managers and senior executives	670	635
Technicians and supervisory staff	1,189	1,201
Office staff	886	654
Plant workers	3,262	3,019
TOTAL	**6,007**	**5,509**

8.4 Amortisation, depreciation and provisions

Amortisation, depreciation and provisions included under operating expenses concern the following items:

	2018		2017	
In € thousands	**Amortisation & depreciation**	**Provisions**	**Amortisation & depreciation**	**Provisions**
Development costs	(7,632.255)	(191.927)	(5,752)	(177)
Manufacturing costs	(131,178.168)	(2,676.067)	(129,365)	(2,804)
Marketing expenses	(2,051.287)	(386.927)	(2,690)	(1,852)
General expenses	(6,278.976)	(1,561.580)	(5,098)	(946)
Total	**(147,141)**	**(4,817)**	**(142,905)**	**(5,778)**

8.5 Non-recurring operating income and expenses

In € thousands	2018	2017
Tax litigation	(1,483)	(294)
Sales-related litigation	(13,766)	(18,050)
Site streamlining costs	(5,245)	(485)
Other expenses and income	(6,487)	(7,448)
TOTAL	**(26,981)**	**(26,277)**

Tax litigation

2018 tax litigation primarily related to payment of a transfer pricing dispute in Italy and an ICMS tax dispute in Brazil.

2017 tax litigation primarily related to penalties and land tax in France, Brazil and the United States.

Sales-related litigation

This item mainly comprises lawyers' fees relating to patent litigation.

Site streamlining costs

In 2018, these costs mainly related to guidance facilities provided to staff and non-recurring logistics costs in the United States.

In 2017, these costs mainly related to guidance facilities provided to staff.

Other expenses and income

This account includes other material operating income or expenses relating to extraordinary events that could affect the analysis and comparability of the Group's business.

In 2018, this item mainly consisted of:

- production shutdown costs in the United States due to adverse weather conditions (€0.3 million) and in China due to a fire (€1.3 million);
- costs related to the temporary production shutdown in France (€1.4 million) and related non-recurring transport costs (€0.5 million).

In 2017, this item mainly consisted of production shutdown costs related to weather conditions in the United States (€2.8 million) and plant restructuring costs in China (€2.9 million).

8.6 Net financial income/(expense)

In € thousands	2018	2017
Gross interest expense	(60,843)	(44,797)
Income from cash and cash equivalents	387	557
Other financial income and expenses	5,319	4,580
Currency gains/(losses)	(22,548)	11,945
Reversals of/(additions to) amortisation and provisions	(668)	(1,660)
Net financial income/(expense)	**(78,353)**	**(29,374)**

Foreign exchange gains and losses relating to transactions in foreign currencies are recognised under operating margin. Translation differences relating to financing activities are recognised under financial income and expense.

In 2018, other financial income and expenses mainly consisted of:

- €4 million in financial expense transfers;
- €3.9 million loss on sale of financial assets;
- €0.5 million income from investments in and loans to non-consolidated entities;
- €3 million increase in the fair value of non-consolidated investments.

In 2017, other financial income and expenses mainly consisted of:

- €4.4 million in financial expense transfers;
- €0.2 million income from investments in and loans to non-consolidated entities.

8.7 Income tax

Tax expense

In € thousands	2018	2017
Current income tax	(30,844)	(27,988)
Net deferred tax	(12,892)	40,637
Income tax	**(43,736)**	**12,650**
Including non-recurring tax effects	0	58,648
Total excluding non-recurring tax effects	**(43,736)**	**(45,998)**

Current income tax equals amounts paid or payable in the short term to tax authorities for the fiscal year in accordance with the rules and rates in force in the different countries.

At 31 December 2017, the non-recurring tax effects recognised totalled income of €58.6 million, broken down as follows:

- income of €3.1 million in 2017 following the revaluation of deferred tax pursuant to the French 2018 Finance Act and 2017 Amending Finance Act, which provide for a gradual decrease in the corporate tax rate to 25% by 2022;
- income of €55.5 million in 2017 following the revaluation of deferred tax in the United States pursuant to the tax reform passed on 22 December 2017: the Tax Cuts and Jobs Act (the "Act") which will see the corporate tax rate reduced to 21% as of 1 January 2018.

In France, the Group benefits from rules allowing taxable income and losses to be offset between a parent company and subsidiaries that belong to a tax group. The agreement states that the tax savings made by the Group are accounted for by the parent company, except for SNF SA, for which the tax savings arising from the use of tax loss carryforwards and tax credits are reallocated.

Analysis of tax expense

For 2018, the tax rate applicable in France was the basic rate of 33.33% plus a 3.3% social security contribution rate, giving a total rate of 34.43%.

The Group's effective tax rate, excluding non-recurring tax effects, amounted to 26.39% in 2018 compared to 30.69% in 2017.

The difference between the effective tax rate and the statutory French tax rate in 2018 breaks down as follows:

In € thousands	2018	2017
Normal tax rate	**34.43%**	**34.43%**
Consolidated book income before tax	165,759	149,863
Theoretical tax expenses at applicable rates	(57,071)	(51,598)
Effective tax expense	(43,736)	(45,998)
Variance between effective and theoretical tax expense	**13,335**	**5,599**
Impact of permanent differences	(653)	(180)
Impact of differences in tax rates	(19,457)	(9,092)
Impact of tax losses and tax credits	5,102	1,864
Impact of specific taxes and tax audits	1,673	1,809
Total	**(13,335)**	**(5,599)**
Effective tax rate	**26.39%**	**30.69%**

In light of the earnings outlook for companies included in the French tax group, the Group has recognised deferred tax assets on tax losses carried forward.

Until 31 December 2011, the Group limited the recognition of unused tax losses for some entities to the value of deferred tax liabilities of the same entities.

The change in the statutory tax rate reflects changes in the respective contributions of each taxable entity to Group pre-tax net income and the fact that some entities posted taxable income while others posted taxable losses.

Research tax credits akin to grants have been classified under recurring operating income since 2007. For 2018, €6.7 million was recognised on that basis in respect of the French and US companies.

Deferred tax assets and liabilities

In € thousands	31/12/2018	31/12/2017
Fixed assets	(125,622)	(108,721)
On loss carryforwards	4,931	2,857
Pension liabilities	8,247	7,813
Elimination of inter-company profits	(1,232)	(1,290)
On other temporary differences	(2,881)	(9,540)
Total deferred taxes	**(116,557)**	**(108,881)**
Of which:		
Deferred tax assets	8,111	6,157
Deferred tax liabilities	(124,668)	(110,522)

Deferred taxes recognised on the balance sheet under "Fixed assets" result from temporary differences between the accounting and tax bases of those assets.

8.8 Net earnings per share

Item	2018	2017
Net income for the period	118,893	160,798
Net income for the calculation of diluted earnings per share	118,893	160,798
Number of shares outstanding at beginning of period	4,549,000	4,549,000
Weighted average number of shares before dilution	4,549,000	4,549,000
Weighted average number of shares with dilution	4,549,000	4,549,000
Basic earnings per share	**26.14**	**35.35**
Diluted earnings per share	**26.14**	**35.35**

NOTE 9: NOTES RELATING TO COMMITMENTS AND OTHER DISCLOSURES

9.1 Off-balance sheet commitments and collateral

In € thousands	31/12/2018	31/12/2017
Guarantees given to customs authorities	3,314	704
Guarantees given to customers (performance bonds, bid bonds)	94,919	27,962
Guarantees for debt of non-consolidated entities	0	25
Guarantees given to employees for time savings accounts and banks	3,906	3,063
Seveso and bank guarantees	3,455	3,376
Share of loans secured by collateral	65,875	98,874
TOTAL	**171,469**	**134,004**

The SPCM Group recognises obligations or commitments in connection with future payments:

In € thousands	Total	Payments due by period		
		< 1 year	1-5 years	> 5 years
Finance lease obligations	56	25	31	0
Operating leases	34,322	8,606	21,383	4,332
Interest expense on borrowings	231,384	38,998	151,454	40,933
TOTAL	**265,762**	**47,629**	**172,868**	**45,265**

9.2 Related parties

9.2.1 Senior management (company directors)

a) Compensation of management bodies:

Compensation allocated for fiscal 2018 to members of the SPCM Management Committee (8 members) and Board of Directors for their duties within Group subsidiaries amounted to €2.7 million. Compensation does not include variable components.

b) Attendance fees:

Attendance fees paid to directors in 2018 amounted to €0.1 million.

9.2.2 Relations with associates and non-consolidated companies:

The consolidated financial statements include transactions carried out by the Group in the course of its normal business operations with associates and non-consolidated subsidiaries. These transactions are carried out on arm's-length terms.

These items break down as follows in the income statement:

In € thousands	2018	2017
Operating income	76,060	70,119
Non-consolidated subsidiaries	53,534	50,114
Associates	22,526	20,005
Operating expenses	0	0
Non-consolidated subsidiaries	0	0
Associates	0	0
Other financial income and expenses	865	746
Non-consolidated subsidiaries	865	651
Associates	0	95

Assets and liabilities of the Group concerning related parties at year-end broke down as follows:

In € thousands	31/12/2018	31/12/2017
Loans or advances granted	15,129	16,177
Non-consolidated subsidiaries	14,929	15,727
Associates	200	450
Trade and other receivables	27,169	20,540
Non-consolidated subsidiaries	20,418	15,670
Associates	6,750	4,870
Trade and other payables	0	0
Non-consolidated subsidiaries	0	0
Associates	0	0

There are no other transactions to report with related parties as defined under IAS 24, i.e. shareholders, associates and joint ventures.

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3.375% Senior Notes due 2030

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