QUARTERLY REPORT

Pursuant to Section 4.02(a)(ii) of the Indenture, dated November 18, 2021, governing the 5.625% Sustainability-Linked Senior Secured Notes due 2028 of
Lune Holdings S.à r.l.

For the three months ended March 31, 2022

LUNE HOLDINGS S.À R.L.

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Grand Duchy of Luxembourg

LUNE HOLDINGS S.À R.L.

Quarterly Report

For the Quarter Ended March 31, 2022

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CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise, in this Quarterly Report:

"**Acquisition**"	refers to the acquisition of Kem One by a subsidiary of the Issuer on December 17, 2021;
"**Annual Report**"	refers to the Issuer's annual report for the fiscal year ended December 31, 2021;
"**Apollo**" or "**Sponsor**"	refers to Apollo Global Management, Inc. collectively with its subsidiaries;
"**Apollo Funds**"	refers to funds managed by affiliates of Apollo;
"**Bidco**"	refers to Lune BidCo S.A.S., a simplified limited liability company (*société par actions simplifiée*) incorporated under the laws of France;
"**COVID-19**"	refers to the infectious disease caused by severe acute respiratory syndrome coronavirus 2, the pandemic resulting therefrom which was continuing as of the date of this Quarterly Report and public health events related thereto;
"**C-PVC**"	refers to chlorinated polyvinyl chloride;
"**EU**"	refers to the European Union;
"**Financing**"	refers to the Revolving Credit Facility, the offering of the Notes and the use of the proceeds from the Notes, together with cash on hand and a new cash equity investment from the Apollo Funds, to consummate the Acquisition;
"**GDP**"	refers to gross domestic product;
"**GP-PVC**"	refers to general purpose PVC;
"**Group**," "**we**," "**us**" **or** "**our**"	refers to Parentco and its subsidiaries from time to time;
"**Indenture**"	refers to the indenture that governs the Notes, dated as of November 18, 2021, by, among others, the Issuer and HSBC Bank plc, as trustee, security agent, paying agent, transfer agent and registrar;
"**Issuer**"	refers to Lune Holdings S.à r.l., a company (société à responsabilité limitée) incorporated under the laws of the Grand Duchy of Luxembourg;
"**K1 Group**"	refers to K1 Group SAS and its subsidiaries on a consolidated basis;
"**Kem One**"	refers to KEM ONE S.A.S.;

"**Notes**"	refers to the €450,000,000 aggregate principal amount of 5.625% senior secured notes due 2028 of the Issuer;
"**Parentco**"	refers to Lune Parent Lux S.à.r.l. a company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg;
"**PVC**"	refers to polyvinyl chloride;
"**P-PVC**"	refers to paste polyvinyl chloride;
"**Quarterly Report**"	refers to this quarterly report;
"**Revolving Credit Facility**"	refers to the Revolving Credit Facility under the Revolving Credit Facility Agreement, described in more detail in "*Management's Discussion and Analysis of Financial Condition and Results of Operation*";
"**Revolving Credit Facility Agreement**"	refers to the super senior revolving credit facility agreement governing the Revolving Credit Facility;
"**Specialty PVC**"	refers to chlorinated polyvinyl chloride and paste polyvinyl chloride;
"**Sustainability-Linked Financing Framework**" or "**SLBP**"	refers to the Sustainability-Linked Financing Framework that we adopted in connection with the Transactions, which is published on our website at *www.kemone.com* (our website does not form a part of and is not incorporated by reference into this Quarterly Report);
"**Transactions**"	refers to, collectively, the Acquisition and the Financing;
"**United States**" or the "**U.S.**"	refers to the United States of America.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report are not historical facts and are "forward-looking" within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Exchange Act of 1934, as amended (the "**Exchange Act**"). These statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, the impact of COVID-19 and other non-historical statements. This Quarterly Report contains certain forward-looking statements under the heading "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and in other sections where the Quarterly Report includes statements about our intentions, beliefs or current expectations regarding our future financial results, plans, liquidity, prospects, growth, strategy and profitability, as well as the general economic conditions of the industry and country in which we operate. We may from time to time make written or oral forward-looking statements in other communications. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries and the economic, political and legal environment in which we operate and other information that is not historical information.

Words such as "believe," "anticipate," "estimate," "expect," "suggest," "target," "intend," "predict," "project," "should," "would," "could," "may," "will," "forecast," "plan" and similar expressions or, in each case, their negative or other variations or comparable terminology, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "*Risk Factors*" in our Annual Report, as well as those included elsewhere in this Quarterly Report, including developments relating to COVID-19. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to the following:

- the impact of the coronavirus (COVID-19) pandemic on our business, liquidity, financial condition, and results of operations;
- higher than expected raw material, energy, transportation and/or logistics costs;
- shortages of raw materials, utilities and equipment;
- our reliance on a limited number of third-party suppliers of materials for our products and third-party transportation;
- the occurrence of unexpected manufacturing interruptions and outages, including those occurring as a result of labor disruptions, strikes and production hazards;
- declines in the average selling prices in the chlorovinyls industry and the supply/demand for our products, including the impact of excess industry capacity or an imbalance in demand for our chlorovinyls products;
- the highly competitive nature of our principal industries;
- current and future environmental requirements and the related costs of complying with, and addressing liabilities under, those requirements;
- government regulations and public perceptions regarding our products and the substitutability of other products for our products;

- operational risks, including the risk of equipment failure, personal injury and environmental contamination claims;
- the adequacy of our insurance coverage;
- currency fluctuations and economic downturns in the countries in which we operate;
- our ability to implement our business strategies and operational initiatives;
- our ability to take advantage of growing demand for our products in emerging markets;
- adverse conditions in the credit and capital markets, which may limit our or our customers' ability to borrow or raise capital;
- volatility in the price and supply of energy;
- the impact of inflation on us and our customers and suppliers;
- our ability to maintain key customer relationships;
- potential liability under product liability and intellectual property claims;
- risks related to litigation and other proceedings;
- future pension scheme liabilities;
- misconduct, including noncompliance with regulatory standards and internal codes of conduct, by our employees;
- the enforceability of our intellectual property rights and the confidentiality of our proprietary information and trade secrets;
- our ability to keep up with technological innovations;
- risks related to cyber security;
- our ability to attract and retain key personnel;
- our ability to maintain an effective system of internal controls over financial reporting;
- we are controlled by the Apollo Funds, whose interests may conflict with the interests of the holders of the Notes;
- the Issuer operates primarily as a holding company and has no revenue-generating operations of its own;
- our leverage and debt service obligations could adversely affect our business; and
- the other risks described under "*Risk Factors*" in our Annual Report.

The risks listed above are not exhaustive. Other sections of this Quarterly Report describe additional factors that could adversely affect our business, financial condition and results of operations. New risks emerge from time to time and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks 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, you should not place undue reliance on forward-looking statements as a prediction of actual results.

We urge you to read carefully the section of this Quarterly Report entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the section of our Annual Report entitled "*Risk Factors*" for a more detailed discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Quarterly Report may not be accurate or occur at all. Accordingly, you should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made.

We undertake no obligation, and do not intend, to update or revise any forward-looking statement, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Quarterly Report.

BASIS OF PRESENTATION

Parentco is the indirect parent company of the Issuer and conducts no other business or operations other than its ownership of the equity interests of the Issuer and its other direct and indirect subsidiaries. Unless otherwise indicated or the context otherwise requires, all financial statements and financial information included in this Quarterly Report are the financial statements and financial information of Parentco and not the Issuer. *We note that the Q1'21 results presented are only inclusive of K1 Group financials and are presented based on French GAAP, while Q1'22 results are representative of post-acquisition Parentco results and are presented based on Luxembourg GAAP.*

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

The following is a discussion and analysis of the Group's results of operations and financial condition as of March 31, 2022 and for the three months ended March 31, 2022 and 2021. Kem One was acquired by Bidco, which is indirectly controlled by Parentco and the Apollo Funds, on December 17, 2021. As a result of the Acquisition, Kem One is a wholly-owned, indirect subsidiary of the Issuer, which is indirectly wholly-owned by Parentco. Parentco conducts no other business or operations other than its ownership of the equity interests of the Issuer and its other direct and indirect subsidiaries. We note that the Q1 '21 results presented are only inclusive of K1 Group financials and are presented based on French GAAP, while Q1 '22 results are representative of post-acquisition Parentco results and are presented based on Luxembourg GAAP.

Except where noted, statements in the following discussion and analysis of financial condition and results of operations regarding industry outlook, our expectations regarding the performance of our business and other forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Cautionary Note Regarding Forward-Looking Statements" and the section entitled "Risk Factors" in our Annual Report. The Group's actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion and analysis of the Group's financial condition and results of operations together with the section entitled "Basis of Presentation" and the condensed consolidated financial statements included elsewhere in this Quarterly Report.

Unless the context indicates otherwise, in this section references to the "Company," the "Group," "we," "us" or "our," refer to Parentco and its subsidiaries, including the Issuer.

Overview

Kem One is a leading European chlorovinyls producer based in Lyon, France. We are the second largest producer of PVC in Europe and the largest producer of PVC in France and Italy[1], the second largest producer of C-PVC and chloromethanes in Europe, the fourth largest producer of P-PVC in Europe, and the largest producer of caustic soda in Southern Europe and the Mediterranean, each as measured by production capacity, according to IHS and our internal estimates. As of March 31, 2022, we had approximately 870 kilotonnes of GP-PVC and Specialty PVC resin production capacity, 730 kilotonnes of caustic soda production capacity, and 130 kilotonnes of chloromethanes production capacity. We benefit from a diversified geographical exposure with approximately 29%, 17% and 11% of our 2021 revenues generated in France, Italy, and Germany respectively, with the remainder in the rest of Europe (27%) and the rest of the world (15%). In addition, we are a leading producer of low-carbon hydrogen in France, which is an area we will look to further expand as we help support the broader chemical industry's transition to a more sustainable, environmentally focused sector. We believe our back-integration into chlorine – enabling us to produce and sell both caustic soda and PVC, which act as a natural hedge to each other – provides us with differentiated stability versus non-integrated peers. Through our efficient supply chain and optimized logistics footprint, we are able to deliver our essential multi-use PVC and caustic soda products to a diverse portfolio of end-markets, customers, and geographies, with a low client concentration.

For the three months ended March 31, 2022, we had revenues of €393 million and Pro Forma Adjusted EBITDA of €101 million, resulting in a Pro Forma Adjusted EBITDA Margin of 26%.

On December 17, 2021, Kem One and its subsidiaries were acquired by Bidco, a direct subsidiary of the Issuer and indirect subsidiary of Parentco. In connection with the Acquisition, the Issuer issued €450.0 million aggregate principal amount of Notes and entered into the €100.0 million Revolving Credit Facility Agreement.

[1] Based on merchant volumes; no installed capacity in Italy.

Impact of COVID-19 on Our Business

In 2020, the world was impacted by a global pandemic ("**COVID-19**") for which containment and mitigation measures were taken worldwide. The Group responded proactively to the COVID-19 outbreak by setting up response teams that took the required measures and protected our employees and addressed any impact on our operations. Since then, we have taken and will continue to take several proactive measures in response to the COVID-19 pandemic. To date, we believe such measures have been successful. We have implemented safety and health measures for our people and in-depth contract reviews to support continuity of our operations and communication to our key stakeholders.

The Group had to contend with keeping employees safe while maintaining profitable operations. We put in place numerous measures to ensure the safety of our employees, while fulfilling government orders on keeping production going. We continued our business as much as we could and applied for relief under the short-time work scheme due to the inevitable drop in activity. From the first half of 2020 and until late August, the health crisis and lockdown measures in Europe had a negative impact on trade with sales volumes of PVC and Caustic Soda being far below where they were expected to be under normal circumstances. The production rate of units was adapted to the commercial situation. Some production activities had to work at a slower pace or even temporarily halt. Sales in Paste PVC was greatly affected. Furthermore, we did not face significant customer or supplier going concern issues.

In 2020, COVID-19 had an impact on our financial performance, especially during the first semester. Overall volumes were approximately 2.3% lower in 2020 than the prior year and for the first six months of 2021, overall volumes were 26.9% higher than the corresponding period in the prior year. In 2021, COVID-19 had no negative impact on run-rate. Total revenue decreased 9.6% between 2020 and 2019 mainly because of lower volumes due to the impact of the COVID-19 pandemic as well as lower caustic soda market prices. However, momentum in sales from September onwards mitigated a portion of the loss in the first half of the year. Our operating expenses decreased in 2020, primarily driven by lower sales and therefore lower cost of sales, with most other operating expenses trending in line with 2019 due to limited shutdown in production / operations.

We believe that, despite the impact of COVID-19 on our business, our current cash position, projected cash flows and available lines of credit will be sufficient to meet our working capital, capital expenditure and financing requirements.

Bridge from Reported EBITDA to Adjusted EBITDA

	For the three months ended March 31,	
€ in millions	**2021**	**2022**
Reported EBITDA	48	93
Non-cash items	(1)	(0)
Non-recurring items	(0)	1
Out of period items	-	-
Loss related to interest rate hedging	0	(0)
R&D credit income	0	0
CVAE taxes	1	1
Other	-	1
Adjusted EBITDA	48	94

Key Business Drivers and Trends

Global economic trends: Overall demand for our products is closely aligned with GDP growth as it exposed to a diverse set of end-markets including consumer goods, building and construction, and automotive production. Our diversification helps enhance our resilience.

Secular industry trends: Our business is also impacted by secular industry trends, including:

> *Chlorovinyls market dynamics*: Chlorovinyls market dynamics are largely driven by PVC and caustic soda pricing. Market prices for PVC and caustic soda are impacted by global supply and demand. Regional imbalances between supply and demand for PVC and caustic soda can result in shifts in trade flows between regions and the amount of imports into Europe. PVC and caustic soda pricing typically move counter to each other.
>
> *Input cost dynamics*: Our principal input cost is energy in the form of electricity and steam, which may result in price volatility from time to time, as well as ethylene pricing. We have had success historically in passing through volatility in our input costs to customers, which has historically allowed us to maintain strong margins.

Business Interruptions: Consistent with companies in our industry, from time to time we may experience certain interruptions to our business that could impact our financial results. For example, in 2020, we experienced losses related to a VCM vessel accident which prevented supply of the Saint-Fons site with VCM from February 2020 to March 2020 (€3.5 million impact) and from September 2020 to October 2020 (€2.0 million impact) due to post-accident repairs. We also have experienced interruptions related to our historically single-sourced ethylene supply at each of our Fos and Lavera plants, including third-party strikes from December 2019 to February 2020 in which Kem One's main suppliers halted delivery of ethylene, which impacted both the Fos and Lavera sites by €3.7 million in 2019 and €3.5 million in 2020. We believe the construction of the ethylene terminal will mitigate the impact of these ethylene-related interruptions going forward. While we continue to experience strong markets for our core products, results for the first three months of 2022 also reflect the impact of a labor strike experienced in the beginning of the quarter that has since been resolved.

Key Components of Our Historical Results of Operations

Revenue

Revenue is income generated by the sale of goods and services rendered, net of rebates, discounts, and similar allowances and net of sales tax. Revenue generated from services rendered accounted for 4.2% of total revenues for 2021 and 4.9% of total revenues for the first three months of 2022.

For sales of goods, sales are made via individual purchase order or through supply contracts whereby a customer is required to place subsequent purchase orders to obtain goods. Many of contracts have one performance obligation, with certain contracts requiring the shipping and handling of goods as a separate performance obligation. Variable consideration related to such contracts includes payments to customers in respect of rebates and discounts, all of which have no material impact on the consolidated financial statements. Our performance obligation is satisfied at a point in time when control of the sold goods is transferred. Control is transferred when the products are delivered to customers, when customers have control over the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or we have objective evidence that all criteria for acceptance have been satisfied.

The rendering of services is considered to be a separate performance obligation and is recognized over time. In general, we have no service contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, except with respect to the sale of certain Specialty PVC licenses. As a consequence, we do not adjust any of the transaction prices for the time value of money. For the periods presented in this Quarterly Report, there was no impact on the transaction price as no variable consideration is offered to customers within the service contracts.

Revenue from the provision of services is recognized in the accounting period in which the services are rendered.

Operating expenses

Operating expenses include cost of sales related expenses and various other operating expenses.

- Cost of sales and related expenses
    - Cost of sales and related expenses include all costs of materials purchased, cost of conversion, and other costs incurred in making goods available for sale. These costs are comprised of variable expenses and fixed production costs and are capitalized in the valuation of inventory items. Once the sale of these items is realized, the costs capitalized in the inventory items are reported as operating expenses.
    - Variable costs include the variable production costs directly related to a specific sales transaction, which include but are not limited to the cost of raw materials, auxiliary materials, and energy.
    - Fixed production costs are the non-material-related cost components associated with finished products, including production costs and stock adjustment. Production costs involve all indirect and overhead expenses of the functions related to production, raw materials logistics and packaging materials, health, safety and environment, and procurement incurred during the period. Stock adjustment relates to the direct fixed cost resulting from the change in inventories, intermediates as well as finished products in order to allocate fixed production costs (including depreciation) to such products sold in the applicable period. The stock adjustment figure reflects the effect of capitalization of production cost in stocks. In general, the stock adjustment is positive when inventories are increased and negative when inventories are reduced.
- Other operating expenses
    - Other operating expenses includes variable selling expenses, selling and distribution costs, general and administrative expenses, and research and development expenses.
    - Variable selling costs include freight costs and transport insurance premiums, commissions to agents, import duties on exports, royalties to third parties on the basis of quantities sold or revenue amounts, and recycling costs of packaging materials. If goods are sold to a distributor and re-sold to customers, any commission granted to the distributor is deducted directly from revenue.
    - Selling and distribution costs relate to all our revenue, marketing, and logistics expenses (including amortization of intangible assets, such as brands and customer relationships) related to finished goods which are not directly related to a specific transaction. These include all non-direct expenses associated with the sale of products, management of sales teams or customer accounts, internal support of the sales process, management of non-direct channels, development of new sales with specific customers or groups, receipt and administration of sales orders, market analysis, strategic market planning or development or advertising, logistics related to the internal inter-site transfer of finished products, or materials and warehousing.
    - General and administrative expenses include headquarter functions that are not allocated to other functions, and include finance, information management, human resources, legal group services, integrated supply chain management services, facilities management, and others.
    - Research and development expenses include personnel and other costs related to research, development and innovation functions, and product safety and regulatory affairs. Research is defined as original and planned investigation undertaken with the prospect of gaining new scientific knowledge and understanding. Development costs can be capitalized as an internally generated intangible asset, if it is probable that sufficient future economic benefits will be generated by the development. All research costs are expensed immediately. If it is not possible to distinguish

expenditures incurred in the research phase from expenditures in the development phase of a project, all the costs are expensed.

Net financial income/expenses

Our financing income and expenses include all earnings and costs that arise from financing our operations. The most significant portion of financing expenses is incurred relating to interest in connection with borrowing funds. Furthermore, the financing income and expenses include the impact of foreign exchange rate movements.

Financing income and expenses are recognized using the effective interest method. The increase of provisions as a result of the passage of time is recognized under "Financing income and expenses."

Income tax

Income taxes include all domestic and foreign taxes on operating income less financing charges, including non-recoverable withholding tax on dividends received from subsidiaries, R&D tax credits, taxes on equity in earnings, including non-recoverable withholding tax on dividends received.

The legal entities of the Group file a tax return on an independent basis. For the purpose of the consolidated financial statements, income taxes are computed and reported based on the separate return method. Under the separate return method, the carved out entity calculates its tax provision as if it was filing its own separate tax return, or in the case of consolidated tax groups, the consolidated tax group's return, based on the pre-tax accounts included in the consolidated financial statements.

Results of Operations

The following table sets forth our consolidated results of operations for the periods indicated:

	For the three months ended March 31,	
€ in thousands	**2021**	**2022**
Income Statement Data:		
Net Revenue	277,317	413,071
Total Operating Revenue	277,715	406,557
Total Operating Expenses	246,483	330,650
Operating Profit (Loss)	31,232	75,907
Net Financial Income/Expenses	69	(6,664)
Recurring Profit (Loss) Before Taxes[1]	31,301	69,243
Other Income / Expenses[2]	(3,846)	(14,109)
Total Income	278,855	455,705
Total Expenses	251,400	400,570
Net Income	**27,456**	**55,135**

(1) Represents recurring profit (loss) before taxes, exceptional items and employee profit sharing, except for the three-month periods ended March 31, 2022 and 2021, in which employee sharing profit for an expense of €7,455k and an expense of €2,907k, respectively, are included in operating expenses, in accordance with the new ANC 2020-01 regulation.

(2) In accordance with the new ANC 2020-01 regulation, as of January 1, 2021 (and for comparative periods), "Employee profit sharing" is included in "Salary and wages" in "Operating Expenses". Therefore, for the three months ended March 31, 2022 and 2021, "Other Income / Expense Items" only includes "Net exceptional items," "Goodwill Amortization" and "Income tax."

Three months ended March 31, 2022 compared to three months ended March 31, 2021

Our consolidated results of operations for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 are discussed below.

Net Revenue

Net Revenue for the first three months of 2022 was €413,071k compared to €277,317k for the first three months of 2021, an increase of €135,754k, or 49.0%. This increase in revenue was primarily attributable to an increase in average selling price per unit, partially offset by a decrease in volume. Pricing increases are related to continued market tightness with strong underlying demand for core products and active commercial initiatives by the Kem One team.

Net Revenue by product group

	For the three months ended March 31,		Variance
€ in thousands	**2021**	**2022**	**%**
GP-PVC	157,901	213,913	35.5%
Caustic soda and other chlorine derivatives	40,800	76,553	87.6%
Specialty PVC	36,723	54,612	48.7%
Chloromethanes	9,995	17,767	77.8%
Other Product Revenue	20,866	29,853	43.1%
Service Revenue	11,031	20,371	84.7%
Net Revenue	**277,317**	**413,071**	**49.0%**

GP-PVC revenue for the first three months of 2022 was €213,913k, compared to €157,901k for the first three months of 2021, an increase of €56,012k, or 35.5%. The increase was primarily due to continued fundamental strength in the PVC market.

Caustic soda and other chlorine derivatives revenue for the first three months of 2022 was €76,553k, compared to €40,800k for the first three months of 2021, an increase of €35,753k, or 87.6%. The increase was primarily due to market tightness and pricing actions to offset variable cost increases.

Specialty PVC revenue for the first three months of 2022 was €54,612k, compared to €36,723k for the first three months of 2021, an increase of €17,889k, or 48.7%. The increase was primarily due to an increase in average selling price per unit due to strong market demand and pricing actions to offset variable cost increases.

Chloromethanes revenue for the first three months of 2022 was €17,767k, compared to €9,995k for the first three months of 2021, an increase of €7,773k, or 77.8%.

Service revenue for the first three months of 2022 was €20,371k, compared to €11,031k for the first three months of 2021, an increase of €9,341k, or 84.7%. The increase was primarily due to an increase in the price of raw materials and utilities charged to operating partners under our platform agreements.

Total Operating Expenses

Total Operating Expenses for the first three months of 2022 were €330,650k, compared to €246,483k for the first three months of 2021, an increase of €84,167k, or 34.1%. This increase was primarily due to an increase in the cost of raw materials. Further, the increase is also driven by an overall increase in the cost of utilities at production sites, other inventory related expenses, such as packaging and freight, and an increase in employee profit sharing and incentive costs.

Net Financial Income/Expenses

Net Financial Income/Expenses for the first three months of 2022 were €6,664k expenses, compared to €69k income for the first three months of 2021, a decrease of €6,733k, or 9,760.4%. The decrease was primarily due to an increase in interest and similar expenses, partially offset by increased financial income.

Other Income / Expenses

Other Income / Expenses for the three months ended March 31, 2022 and 2021 includes net exceptional items, goodwill amortization, and income taxes.

Net Exceptional Items – Net exceptional items for the first three months of 2022 were €376k, primarily driven by investment grant income amortization (€381k). Net exceptional items decreased by €209k or 35.7% from €584k income in the first three months of 2021, primarily related to extraordinary income on management operations, specifically extraordinary gains (€197k).

Goodwill Amortization – As a result of the Acquisition, amortization of goodwill for the first three months of 2022 was €5,376k, compared to €0 for the first three months of 2021.

Income Tax – Income tax expense for the first three months of 2022 was €9,109k, compared to €4,430k for the first three months of 2021, an increase of €4,679k, or 105.6%. This increase was primarily driven by an overall increase in net income of €27,679k, which in turn drove higher income taxes.

Financial Condition, Liquidity, and Capital Resources

Historical cash flows

The following table summarizes, for the fiscal periods indicated, selected items in our statement of cash flows:

	For the three months ended March 31,	
€ in thousands	**2021**	**2022**
Net cash from (used in):		
Operating activities	55,389	49,033
Investing activities	(17,063)	(28,506)
Financing activities	(16)	978

Operating Activities

Net cash from operating activities for the first three months of 2022 was €49,033k, compared to €55,389k for the first three months of 2021, a decrease of €6,356, or 12.9%. The decrease was primarily due to changes in working capital requirements, most notably change in inventory and change in trade payables.

Investing Activities

Net cash used in investing activities for the first three months of 2022 was €28,506k, compared to €17,063k for the first three months of 2021, an increase of €11,443k, or 67.1%. The increase was primarily due to an increase in capital expenditures and a decrease in the change in fixed asset payables, the liability associated with the purchase of fixed assets.

Capital expenditures for the first three months of 2022 were €28,394k, compared to €17,080k for the first three months of 2021, an increase of €11,315k, or 66.3%. The increase was primarily due to increased project capex spend in Q1'22. Maintenance capex decreased slightly from historic levels to approximately 1-2% of sales from 3-4%. This percentage decrease was driven primarily by an increase in sales in Q1'22.

Financing Activities

Net cash from financing activities for the first three months of 2022 was €978, compared to cash used in financing activities of €16k for the first three months of 2021, an increase of €994k, or 6,212.5%. The increase reflects loans issued in addition to a capital increase.

Liquidity

We anticipate that our cash flows from operations, cash on hand and availability under the Revolving Credit Facility will be sufficient to fund our liquidity requirements. From time to time, we may incur additional indebtedness for working capital or other reasons. We will manage our global cash balances by utilizing available cash management strategies. However, our ability to service our indebtedness and to fund our other liquidity requirements will depend on our ability to generate and access cash in the future. This is subject to general economic, financial, contractual, competitive, legislative, regulatory, and other factors, some of which are beyond our control, as well as the factors described in "*Cautionary Note Regarding Forward-Looking Statements*" in this Quarterly Report and the section entitled "*Risk Factors*" in our Annual Report.

The total amount of cash held on the balance sheet as of March 31, 2022 is €233 million, which includes cash earmarked for remaining one-time payments related to the Acquisition, amounting to €69.9 million.

We or our affiliates may from time to time seek to repurchase or retire the Notes through cash purchases, in open market purchases, privately negotiated transactions, tender offers, or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our and their liquidity, contractual restrictions, and other factors. The amounts involved may be material.

Revolving Credit Facility

In November 2021, in connection with the Acquisition of Kem One, the Issuer entered into the Revolving Credit Facility Agreement, which provides for revolving borrowings up to an aggregate principal amount of €100.0 million on a committed basis, and additional uncommitted revolving facilities in a maximum aggregate (inclusive of the existing commitments) amount not to exceed the sum of (i) the greater of €100.0 million and 15% of total assets plus (ii) the greater of €50.0 million and 7.5% of total assets. Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. The Revolving Credit Facility matures in 2028.

The interest rate on cash advances under the Revolving Credit Facility is the rate per annum equal to the aggregate of the applicable margin and EURIBOR, except that LIBOR applies to cash advances in US Dollars and SONIA applies to cash advances in Pound Sterling. The initial margin under the Revolving Credit Facility is 4.25%, but commencing in January 2023, it may decrease based on our secured debt ratio. A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility.

The Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain customary adjustments) that apply to the Notes, as well as certain affirmative and negative covenants customary for facilities of this type. Additionally, the Revolving Credit Facility contains a financial covenant providing that the Issuer shall ensure that the secured debt ratio in respect of each testing period (commencing with the quarter ending September 30, 2022) shall not exceed 5.25 to 1.00, which will not be tested unless the aggregate outstanding amount of loans under the Revolving Credit Facility Agreement (subject to certain exceptions) exceeds 40% of the greater of (x) the total Revolving Credit Facility commitments as of the closing date of the Acquisition and (y) the total Revolving Credit Facility commitments outstanding on such financial quarter.

Contingent liabilities

Our contingent liabilities primarily comprise obligations for decommissioning and restoration, guarantees of third-party obligations, including indemnification obligations under purchase and sale agreements, letters of credit, payment guarantees, down payment guarantees and performance bonds, and other similar obligations in the ordinary course of business.

Indemnifications

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, subsidiaries, and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of agreements or representations and warranties made by us. It is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses. Historically, we have not incurred material costs as a result of obligations under these agreements and we have not accrued any liabilities related to such indemnification obligations in our historical consolidated financial statements.

Off-Balance Sheet Arrangements

We have off-balance sheet arrangements related to financial guarantees provided to the state, bank guarantees issued on behalf of third parties and trade receivables transferred to a factoring company. As of March 31, 2022, financial guarantees to the state were for an amount of €11.1 million, guarantees issued on behalf of third parties were for an amount of €4.6 million and guarantees issued on behalf of KEM ONE were for an amount of €5.6 million. In addition, as of March 31, 2022, we transferred €35 million in trade receivables to a factoring company; however we have not used this line of credit and we do not currently intend to use it going forward.

Detail behind off-balance sheet arrangements is provided below:

- On November 18, 2021, Lune Holdings S.à r.l. entered into an intercreditor agreement, a super senior revolving facilities and an indenture.
- On November 22, 2021, Lune Holdings S.à r.l. made an application to the International Stock Exchange Authority Limited for the listing and permission to deal.
- On December 17, 2021, the Issuer entered into various pledge agreements in relation with the above, whereby the securities have been pledged in favor of HSBC Bank PLC.

Significant Accounting Policies

The preparation of financial statements in compliance with Luxembourg GAAP requires us to make judgments, estimates, and assumptions that affect amounts reported in the financial statements. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. The most critical accounting policies involving a higher degree of judgment and complexity in applying principles of valuation and for which changes in the assumptions and estimates could result in significantly different results than those recorded in our financial statements. These accounting policies relate to the basis of preparation, business combination, income tax, impairment of intangible assets and property, plant and equipment, post-retirement benefits, provisions, share-based compensation, and fair values related to financial instruments. See "*Condensed Consolidated Financial Statements—Note 3—Critical Accounting Estimates.*"

Qualitative and Quantitative Disclosures About Market Risk

Overview

Our business and financial results are affected by fluctuations in world financial markets, including interest rates and foreign currency exchange rates. We may in the future utilize derivative financial instruments (including interest rate swap arrangements), among other methods, to hedge some of these exposures. We do not use derivative financial instruments for speculative or trading purposes.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will be changed because of changes in market interest rates. We will be subject to changes in market interest rates in connection with our long-term debt. Our principal interest rate exposure will relate to variable rate borrowings under our Revolving Credit Facility.

Energy and commodity price risk

We purchase significant amounts of energy to supply the energy required in our production processes for our products in each of our product families. We purchase approximately 1.4 TWh of natural gas in a given year, excluding certain opportunistic purchases based on pricing. There is no guarantee that we will continue to be able to pass through future price increases without loss of customers. Furthermore, we have diversified our exposure across energy commodities, including electricity and waste. Finally, where we are unable to employ a natural hedge and sufficiently reduce our exposure, we hedge our short positions on the respective energy. We are exposed to price risks on raw material purchases, most significantly related to upstream petrochemical commodities including ethylene and methanol and their derivatives. We respond to this volatility in a number of ways, including strategic raw materials purchases and through commercial and contractual pricing agreements and customer price adjustments. For our commodity raw materials, we have purchase contracts that have periodic price adjustment provisions. Commitments with certain suppliers provide up to 100% of our estimated requirements, but also provide us with the flexibility to purchase a certain portion of our needs in the spot market when it is favorable to us.

Our commodity risk is moderated through our selected use of customer contracts with selling price provisions that are indexed to publicly available indices for the relevant commodity raw materials.

Foreign Currency Risk

Due to our international operations, our results are impacted by fluctuations in foreign currency exchange rates against our reporting currency of the Euro. As a result, significant fluctuations in these currencies may have an impact on our results of operations in any particular period. When considered appropriate, we may enter into derivatives to hedge foreign currency exchange risk arising from specific transactions.

Lune Parent (Lux) S.à r.l.
and Subsidiaries

Société à responsabilité limitée

Luxembourg Trade and Companies Register: B252753

CONSOLIDATED ANNUAL ACCOUNTS

FOR THE PERIOD Q1 2022

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LUNE PARENT GROUP **in €k**

Balance Sheet as at March 31, 2022 **CONSOLIDATED BALANCE SHEET: ASSETS**

€ (000)

		GROSS	D&A AND PROVISIONS	3/31/2022	31/12/2021
NON-CURRENT ASSETS					
FORMATION EXPENSES					
FIXED ASSETS	(note 2.7)				
INTANGIBLE ASSETS					
. Costs of developpment					
. Concessions, patents, licences, trademarks, and similar rights and assets		7,368	6,184	1,184	1,384
. Goodwill to the extent that it was acquired for valuable consideration	(notes 2.4)	152,995	7,851	145,145	150,520
. Other		33,000	33,000		
. Payments on account and intangible assets under development					
TANGIBLE ASSETS					
. Land		17,433	1,487	15,946	16,037
. Buildings		91,173	53,218	37,954	39,867
. Plant and machinery		602,382	356,072	246,311	260,510
. Other fixtures and fittings, tools and equipment		4,488	3,773	715	780
. Payments on account and tangible assets in the course of construction		148,190	214	147,976	127,273
. Advances and prepayments		0			
FINANCIAL ASSETS	(note 2.8)				
. Shares in affiliated undertakings		1,968		1,968	1,968
. Loans to affiliated undertakings					
. Participating interests					
. Loans to undertakings with which the undertaking is linked by virtue of participating interests		1,158		1,158	1,025
. Other loans		1,472		1,472	1,493
TOTAL NON CURRENT-ASSETS		1,061,628	461,798	599,829	600,857
CURRENT ASSETS					
STOCKS	(notes 2.9)				
. Raw materials and consumables		61,524	10,139	51,385	38,502
. Work in progress		355		355	254
. Services in progress					
. Finished goods and goods for resale		80,282	6,284	73,998	88,939
. Payments on account					
PAYMENT ON ACCOUNTS		5,873		5,873	9,819
DEBTORS	(notes 2.10)				
. Trade debtors					
. Becoming due and payable within one year		239,035	5,204	233,831	212,490
. Becoming due and payable after more than one year					
. Other					
. Amounts owed by affiliated undertakings					
. Becoming due and payable within one year		0		0	
. Becoming due and payable after more than one year					
. Other debtors					
. Becoming due and payable within one year		64,145		64,145	62,055
. Becoming due and payable after more than one year					
. Deferred tax assets	(notes 2.17)	134		134	126
MARKETABLE SECURITIES					
CASH AT BANK AND IN HAND		233,290		233,290	211,784
PREPAYMENTS		3,706		3,706	1,414
TOTAL CURRENT-ASSETS		688,344	21,627	666,718	625,383
EXPENSES TO BE SPREAD OVER SEVERAL YEARS					
UNREALISED FOREIGN EXCHANGE LOSSES					
TOTAL ASSETS		**1,749,972**	**483,425**	**1,266,547**	**1,226,240**

LUNE PARENT GROUP
Balance Sheet as at March 31, 2022
€ (000)

ITEM		3/31/2022	31/12/2021
CAPITAL AND RESERVES	(note 4, 4.4)		
. Subscribed capital	(note 4.1)	1,017	1,017
. Share premium account	(note 4.2)	234,044	234,044
. Revaluation reserve			
. Legal reserve	(note 4.3)	0	0
. Reserves provided for by the articles of association			
. Consolidation reserves			
. Other reserves, including the fair value reserve			
. Profit or loss brought forward		-13,126	
PROFIT OR LOSS FOR THE FINANCIAL PERIOD		55,135	-13,126
. Interim dividends			
. Capital investment subsidies	(note 2.13, 4.5)	14,789	14,555
. Actuarial gains/losses IAS 19			
TOTAL EQUITY		291,858	236,490
PROVISIONS	(note 2.14)		
. Provisions for pensions and similar obligations		19,542	19,542
. Provisions for taxation	(notes 2.17)	41,159	40,924
. Other provisions		37,785	39,336
TOTAL PROVISIONS		98,486	99,802
LIABILITIES			
CREDITORS	(notes 2.12, 5)		
. Debenture loans non-convertible			
. Becoming due and payable within one year		0	0
. Becoming due and payable after more than one year			0
. Amounts owed to credit institutions	(note 5.1)		
. Becoming due and payable within one year		1,501	2,000
. Becoming due and payable after more than one year		8,000	8,000
. Amounts owed to affiliated undertakings			
. Becoming due and payable within one year			0
. Becoming due and payable after more than one year			
. Other creditors			
. Becoming due and payable within one year			0
. Becoming due and payable after more than one year			
Payments received on account of orders in so far as they are not shown separately as deductions from stocks			
. Becoming due and payable within one year		3,242	3,139
. Becoming due and payable after more than one year			
. Trade creditors			
. Becoming due and payable within one year		190,016	223,262
. Becoming due and payable after more than one year			
. Taxes and and Social security authorities			
. Other creditors			
. Becoming due and payable within one year		231,305	214,452
. Becoming due and payable after more than one year	(note 5.2)	436,227	435,715
MISCELLANEOUS LIABILITIES			
. Liabilities on non-current assets and related accounts			
. Other			
. Becoming due and payable within one year			
. Becoming due and payable after more than one year			
. Deferred tax liabilities			
DEFERRED INCOME		5,912	3,380
TOTAL LIABILITIES		876,203	889,948
TOTAL LIABILITIES & EQUITY		**1,266,547**	**1,226,240**

LUNE PARENT GROUP
Profit and loss for the period Q1 2022
€ (000)

		3/31/2022	From 05/03/2021 to 31/12/2021
OPERATING REVENUE			
. Sales of bought-in goods			
. Sales of own goods		392,700	
. Sales of own services		20,371	
NET REVENUE		413,071	-
. Change in inventory of own goods and services		(14,396)	
. Own production capitalised		814	
. Operating subsidies		4,500	
. Write-back on provisions, D&A and expense transfers		1,442	
. Other income		1,126	
TOTAL I		406,557	-
OPERATING EXPENSES			
. Bought-in goods purchased		(24,123)	
- Inventory change		-	
. Raw materials and other supplies		(198,414)	
- Inventory change	(note 13)	12,883	
Other operating expenses	(note 11)	(62,216)	(10,071)
. Taxes, levies and similar		(3,118)	
. Salary and wages		(19,824)	
. Employee profit-sharing and incentives		(7,455)	
. Social security contributions		(10,727)	
. Value adjustments		-	
- in respect of formation expenses and of tangible and intangible fixed assets		(16,468)	-
- on non-current assets: provisions		-	
- on current assets: provisions		(806)	
- for liabilities and charges: provisions		(15)	
. Other expenses		(368)	
TOTAL II		(330,650)	(10,071)
OPERATING PROFIT(LOSS) BEFORE GOODWILL IMPAIRMENT		75,907	(10,071)
. Allocation to goodwill impairment		(5,376)	-
OPERATING PROFIT(LOSS) AFTER GOODWILL IMPAIRMENT		70,531	(10,071)

		3/31/2022	From 05/03/2021 to 31/12/2021
FINANCIAL INCOME			
. From equity investments			
. From other marketable securities and long-term loans			
. Other interest and similar income		(0)	
. Write-back on provisions and expense transfers		610	
. Other interest and similar income		577	69
. Net proceeds from disposal of marketable securities			
TOTAL V		1,187	69
FINANCIAL EXPENSES			
. Allocations to amortisation and provisions		(580)	
. Other interest and similar expenses		(6,777)	(3,124)
. Foreign exchange losses		(494)	
. Net expense on disposal of marketable securities			
TOTAL VI		(7,851)	(3,124)
NET FINANCIAL INCOME/EXPENSE	(note 12)	(6,664)	(3,055)
EXCEPTIONAL INCOME			
. From operating items		47,579	
. From capital transactions		381	
. Write-back on provisions and expense transfers			
TOTAL VII		47,960	-
EXCEPTIONAL EXPENSES			
. From operating items		(47,585)	
. From capital transactions		-	
. Allocations to D&A and provisions		-	
TOTAL VIII		(47,585)	-
NET EXCEPTIONAL ITEMS		376	-
INCOME TAX	(note 2.17)	(9,109)	-
NET INCOME		**55,135**	**(13,126)**

NOTE 1. GENERAL INFORMATION

1.1 Incorporation and Formation

Lune Parent (Lux) S.à r.l. (hereafter the "Company") was incorporated on March 5, 2021 under the name of Olive SPE 3 S.à r.l., a company organised under the laws of Luxembourg as a securitization vehicle for an unlimited period and registered with the Luxembourg Register of Commerce and Companies under number B 252753.

On April 29, 2021, the sole shareholder of the Company (the "Sole Shareholder") resolved to change the name of the Company from Olive SPE 3 S.à r.l. to AP Star Holdings (Lux) S.à r.l. to become a company organised under the laws of Luxembourg as a Société à Responsabilité Limitée. In addition, on October 12, 2021 the Sole Shareholder resolved to change the name of the Company from AP Star Holdings (Lux) S.à r.l. to Lune Parent (Lux) S.à r.l.. The registered office of the Company is established at 2, Avenue Charles de Gaulle, L-1653 Luxembourg.

The Company also prepares consolidated accounts, which are subject to publication as prescribed by the Luxembourg law.

1.2 Acquisition, disposition or recapitalization

No material acquisitions, dispositions or recapitalizations have occured since the beginning of the fiscal quarter.

1.3 Scope of consolidation

The Consolidated annual accounts include Lune Parent Lux S.à r.l. (as the "Company"), and its subsidiaries, collectively referred as the "Lune Parent Group".

Parent company	Lune Parent (Lux) S.à r.l.	
Luxembourgish companies		% interest
Lune GP S.à r.l.		100.00
Lune Midco Lux SCA		100.00
Lune Holdings S.à r.l.		100.00
Non-Luxembourgish companies		% interest
Lune BidCo	(France)	100.00
K1 Group SAS	(France)	100.00
KEM ONE	(France)	100.00
SCIA DE PARAPON	(France)	100.00
KEM ONE Hernani	(Spain)	100.00
KEM ONE Italia	(Italy)	100.00
KEM ONE Petrokimya	(Turkey)	100.00
AP Star TopCo AB	(Swedish)	100.00 (*)
AP Star HoldCo AB	(Swedish)	100.00 (*)
AP Star BidCo AB	(Swedish)	100.00 (*)
AP Star MidCo AB	(Swedish)	100.00 (*)

(*) Swedish companies are shell companies with no activiy during the period.

The consolidated annual accounts as at March 31, 2022 of the Company include its stand-alone annual accounts and those of all directly and indirectly majority owner subsidiaries (the "Group"). Subsidiaries are all entities over which the Company exercises control. Control is defined as the direct or indirect power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights owned by other entities, are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

1.4 Method of consolidation

All companies included in the consolidation scoped are fully consolidated. All intercompany balances and intercompany transactions have been eliminated.

NOTE 2. ACCOUNTING PRINCIPLES AND POLICIES

2.1 Basis of preparation

The consolidated annual accounts of the Lune Parent Group are prepared in conformity with the Luxembourg legal and regulatory requirements and in accordance with generally accepted accounting principles applicable in Luxembourg. The principles guiding the preparation of the annual accounts in Luxembourg are based on legislation established within the Grand Duchy, including but not limited to, the Law of 10 August 1915 on commercial companies, the Law of 19 December 2002 on the register of commerce and companies.

2.2 Basis of consolidation

The financial statements of subsidiaries are consolidated on a line-by-line basis, starting from the date when the parent company acquires control, and are de-consolidated from the date that control ceases.

Intercompany balances and profits and losses resulting from intercompany transactions are eliminated in the consolidated financial statements.

The accounting policies were applied consistently for all Group companies.

Some subsidiaries of the Group have their assets and liabilities denominated in another currency than EUR, are translated at the exchange rates ruling at the reporting date. These companies' costs and revenues are translated at the average exchange rate for the period, which approximates the exchange rates that were ruling on the dates when the individual transactions took place. Foreign exchange differences arising from the translation process are recorded directly as a separate equity item called "Translation reserve". On the disposal of a foreign entity, the accumulated exchange differences shown in the translation reserve are recognised in the statement of profit or loss. The exchange rates used for the translation of foreign currency financial statements are as follows:

- EUR/TRY: 15.2335

2.3 Closing date of accounts

Financial year starts on January 1 and ends on December 31 of each year. This applies to all group companies.
The condensed consolidated interim financial statements of Lune Parent S.à.r.l. and Subsidiaries, have been drawn up for the period from 1st January to 31 March 2022 ("the Period").

2.4 Goodwill

The difference between the acquisition price of the shares in the group entities included in the consolidation and their respective adjusted net book value at the date of the acquisition or at the date the group entity is included in the consolidation for the first time, is recorded as goodwill in the absence of identifiable assets or liabilities where the difference could be allocated. This goodwill is amortised on a straight line basis over the time the group considers that it will benefit from it.

Positive goodwill is recorded as an intangible asset on the balance sheet; negative goodwill (or badwill) is recorded in the provisions for liabilities and charges.

The realisable value of non-current assets is tested when there are indications of impairment. They are also reviewed at the close of the year or more frequently if justified by internal or external events. Impairment tests compare the net book value of the assets to their realisable value which is based on discounted cash flow projections. If the realisable value is less than the book value, an impairment equal to the difference is recorded in the income statement. These impairments are recorded under exceptional items in the income statement. Exceptional depreciation or amortisation is recorded in the event of any unfavourable changes to the factors that were used to determine the depreciation or amortisation schedule. The measurement of goodwill takes into account internal reorganisations within the group.

2.5 Leases and finance leases

The assets acquired on lease are restated according to the consolidation principles and depreciated at the same pace as assets wholly owned. This also applies to assets acquired under a finance lease.

2.6 Formation expenses

The formation expenses are fully amortised during the period in which they are incurred.

2.7 Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are valued at purchase cost (purchase price and directly attributable expenses minus general acquisition expenses) or at cost of production. Borrowing costs are not included in the purchase or production cost of intangible assets and property, plant and equipment.

Research and development costs are recognised as expenses during the year they are incurred.

The costs for studies and tests relating to the registration of chemical substances as imposed by the EU REACH regulation are:
- considered to form part of an acquired operating right when the majority of tests required for the registration dossier is purchased from a third party, in which case the Group recognises this operating right as an intangible asset;

- considered to form part of an internally created operating right when the majority of required tests are performed internally and/or by a subcontractor supervised by the Group, in which case they are recorded as development costs and expensed during the period.

Acquired trademarks and know-how are recognised as intangible assets. These are not amortised if their useful lives are indefinite. Impairment tests are carried out on the value of these non-amortisable intangible assets.

Depreciation and amortisation are calculated using the straight-line method over the assets's useful life; they reduce the asset's book value. In general, the useful life of an asset is as follows:

- Intangible assets	Useful life
- Buildings	20 years
- Building fixture and fittings	10 years
- Complex facilities	10-30 years
- Industrial plant and tools	4-10 years

These depreciation and amortisation periods may change if the Group believes the original useful life of the asset is no longer suitable given the external or internal circumstances. These changes are recognised in the accounts prospectively.

The residual value of an asset at the end of the useful life is always zero.

The realisable value of intangible assets and property, plant and equipment is tested when there are indications of impairment and reviewed at the close of the year or more frequently if justified by internal or external events. Impairment tests compare the net book value of the assets to their realisable value which is based on discounted cash flow projections. If the realisable value is less than the book value, an impairment equal to the difference is recorded in the income statement. These impairments are recorded under exceptional items in the income statement.

2.8 Financial assets

Financial assets such as shares in affiliated undertakings, participating interests, loan to these undertakings and other loans are valued at their historical acquisition cost, including the incidental costs of acquisition.

If the Management determines that a durable impairment has occurred in the value of a financial asset, a value adjustment is made in order to reflect that loss. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

The trust created by the settlor (Arkema) and the Caisse des Dépôts et Consignations (the trustee) was set up to compensate employees who were exposed to asbestos during their working life. The trust is extinguished upon one of the following two occurrences: exhaustion of funds in the account or 31 December 2030.

The group recorded a provision on its balance sheet for the remediation of the salt extraction wells with a contra which is an asset. When excavating the wells, deterioration of the shafts is immediate and not gradual during salt extraction; therefore, decommissioning costs have been added to the related asset and will be depreciated during the useful life of the shaft. Previous accounting methods have been deemed to have a marginal impact on the group accounts.

2.9 Stocks

The raw materials, bought-in goods and supplies held in inventory are recorded at purchase price plus directly attributable costs.

Finished products are recorded at the cost of production including consumables and the direct and indirect production expenses. Idle capacity costs are excluded from the value of inventory.

All inventory items are measured using the weighted average cost method.

Inventory impairment is recognised when its value, as determined by the methods above, is less than its realisable value. The following elements are considered to determine the realisable value: expiration, quality defect, lowered sale price, turnover rate, etc.

2.10 Debtors

Debtors are recorded at their nominal value. A value adjustment is made when their recovery is partly or completely in doubt. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

Receivables in other currencies are converted in Euros on the date of the accounts closing.

2.11 Foreign currency translation

The Group maintains its books and records in Euro (“EUR”).

All transactions expressed in currency other than EUR are translated into EUR at the exchange rate prevailing at the date of the transaction.

The fixed assets expressed in another currency than EUR are translated in EUR at the exchange rate prevailing at the date of their acquisition. At the balance sheet date, these fixed assets are maintained at their historical exchange rate.

Cash at bank and in hand is translated at the exchange rate prevailing at the balance sheet date. Exchange gains and losses resulting from this conversion are accounted for in the profit and loss account for the period.

Other assets and liabilities are translated separately respectively at the lower (assets) or at the higher (liabilities) of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The realised exchange gains and losses are recorded in the profit and loss account at the moment of their realisation.

In the case there is an economic link between an asset and a liability, they are translated in total and only the unrealised net exchange losses are accounted for in the profit and loss account.

2.12 Creditors

Creditors are recorded at their repayment value.

When the amount repayable on account is greater than the amount received, the difference will be netted off and will be written off over the period of the debt

All costs related to the issuance of the Notes (as defined hereinafter) are capitalized and will be amortized over the course of the existence of the Notes and the amortization will be recorded under the Profit and Loss account, under item "interest and other expenses".

2.13 Investment subsidies

Subsidies received for investments in fixed assets are recorded under "Capital investment subsidies". They are recognised in the Profit and Loss account on a systematic basis over the amortisation period of the related investments.

2.14 Provisions for liabilities and charges

A provision is recorded when:
- the Group has a legal, regulatory or contractual obligation in favour of a third party as a result of past events. It may also result from the Group’s principles or public commitments creating a legitimate expectation among third parties that the Group will take on certain responsibilities;
- It will definitely or probably cause an outflow of resources in favour of these third parties;
- the amount can be reliably estimated and matches the best possible estimate of the commitment.

In those exceptional situations where the amount of the obligation cannot be reliably estimated, the liability must be the subject of a note to the annual accounts.

Where the Group expects to obtain a partial or full reimbursement of an expense that was the subject of a provision, the expected reimbursement is recorded as a receivable if, and only if, the Group is almost certain of collecting it.

Long-term provisions, excluding provisions for pensions and similar obligations to staff, are neither indexed to inflation nor discounted if the net effect of these impacts is immaterial.

In this context, the Group has defined account recognition and measurement procedures specifically for certain categories of provisions:

a) Provisions for environmental protection

These provisions are established following decisions by local authorities or similar (Regional Environmental Agency, Regional Council, etc.).
The specialised departments of the Group or of external companies estimate the expenses to be set aside and draw up a timeline.

Generally, the projects covered by these provisions should be carried out within the medium term (equal to or less than four years). For longer-term projects or those with a schedule spread over several years, the expenses are not discounted to present value so far as this effect is set off by the expected increase in expenses due to the rise in construction costs.
In general, chemical factories are designed and operated on an indefinite basis; accordingly, no rehabilitation obligation at the end of the site’s life can be determined.
The only identifiable liability in this case relates to the Group facilities located on land belonging to third parties, including those on publicly owned coastal land. These third parties could require the site to be reverted to its original state at the end of the occupancy. It is highly unlikely that any occupancy would not be renewed.

b) Provisions for restructuring and cessation of business

These provisions are established on initial notification to an entity's Economic and Social Committee or a Central Economic and Social Committee. They cover the employee-related costs that are estimated from the employment protection plans, the staff costs between the judgement date and departure of staff, demolition and decontamination costs and other miscellaneous expenses (local support measures, etc.).

c) Provisions for staff long-term benefits

Lune Parent Group has granted long-term benefits (retirement payments, employment awards and length-of-service bonuses, healthcare costs and insurance) to certain employees.

The amount set aside represents the actuarial valuation of the rights acquired by the beneficiaries at the year end. The valuation of the commitments, using the projected unit credit method, primarily involves:

- a financial discount rate, as determined by the length of the commitments. The rate at the year end was 0.8% except for the employment award and length-of-service bonuses scheme (0.4%);
- an assumption on the date of retirement;
- an inflation rate;
- assumptions on salary increases, staff turnover rates and health expenditure increases.

The actuarial gains and losses are recorded in the consolidated Profit and loss account.
The actuarial gains and losses are recorded in net financial income/expense for the financial actuarial assumptions impact, in the net extraordinary income/expense for the demographic assumptions impact, and for the other gains and losses, they continue to be recorded in the operating profit(loss).

2.15 Revenue recognition

Revenue is booked when there has been a transfer of a product's benefits and risks, as stated under the terms of a sales contract, to the purchaser. Returns, refunds, discounts and volume-based rebates are deducted from revenue.

2.16 Other financial expenses

Foreign exchange gains and losses on commercial receivables and payables and foreign exchange gains and losses relating to the translation of currencies into euro must be recorded in Financial Income/Expenses under Other interest and similar income/expenses.

2.17 Taxes

The Company is subject in Luxembourg to the applicable general tax regulations. The subsidiaries are subject to applicable tax regulations in their local jurisdiction of incorporation.

The Group retains all its tax losses carried forward that were previously recorded as part of the tax consolidation, in accordance with regulations.

Differences between taxable profits and restated accounting profits occur due to restatements to harmonise the annual accounts of consolidated companies with the group's accounting principles and also timing differences in recording taxes. These differences are recorded as deferred tax according to the liability method and using the tax rate voted at the close of the accounts.

Deferred tax has been determined on the basis of a tax schedule taking into account future changes to the tax rate.

As part of the restructuring plan of KEM ONE, the primary creditors entered into agreements waiving debts dating prior to the court-supervised administration. These agreements were confirmed by agreements transferring the debts to K1 GROUP SAS for the nominal consideration of €1. The total debt transferred was €158 million. After two incorporations into the shareholders' net equity, the remaining debt has been added to the net equity for the assumption of its fair value. This approach was still the same for K1 Group SAS consolidation purpose, before the acquisition of K1 Group SAS ' shares by Lune BidCo. The remaining debits accounts for a sum of €35,446,000 except corporation taxes which have been taken into consideration.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated annual accounts and the application of the accounting policies and methods described in Note 2 require critical accounting estimates that involve judgements and the use of assumptions. By their nature, the assessments necessary for drawing up the consolidated annual accounts require the formulation of hypotheses and carry risks and uncertainties as to their occurence in the future.
Although the Board of Managers believes that it has taken all available information into accounts in determining these judgements and estimates, the actual future profits and losses from the operations concerned could differ from the estimates and therefore have a material impact on the consolidated annual accounts.

Note 4 Capital and reserves

Note 4.1 Subscribed capital

The Company was incorporated on March 5, 2021, with a share capital amounting to USD 20,000.00, represented by 20,000 shares, having a nominal value of USD 1.00 each and fully paid up.

On April 29, 2021, the Sole Shareholder of the Company decided to convert the existing share capital of the Company of USD 20,000.00 into EUR 16,546.00 and to set the nominal value of the shares at an amount of EUR 1.00 per share.

On December 23, 2021, the Sole Shareholder decided to increase the share capital for a total amount of EUR 1,000,000.00 through the issuance of 111,111 class A to H shares and 111,112 class I shares, having a nominal value of EUR 1.00 each.

On January 20, 2022, the Company entered into an amendment and restatement agreement related to the contribution agreement dated December 23, 2021, between the Sole Shareholder and the Company and therefore amended the allocation of shares so subscribed between the share classes. This amendment and restatement agreement acts as an adjusting subsequent event with an effective date as of the date of the initial contribution agreement.

As at March 31, 2022, the subscribed capital, amounting to EUR 1,016,546.00, is represented by 1,016,546 shares, having a nominal value of EUR 1.00 each, fully paid up and divided into 10 classes of shares as follows:

-16,546 ordinary shares;
-111,111 class A shares;
-111,111 class B shares;
-111,111 class C shares;
-111,111 class D shares;
-111,111 class E shares;
-111,111 class F shares;
-111,111 class G shares;
-111,111 class H shares;
-111,112 class I shares.

Note 4.2 Share premium account

On July 27, 2021, the Sole Shareholder of the Company made a contribution in-kind amounting to EUR 1,749.44 to the account 115 “apport en capitaux propres non rémunéré par titres” of the Luxembourg Standard Chart of Account (the “Account 115”) of the Company.
On December 23, 2021, the share premium increased by an amount of EUR 234,042,000.00 following the capital increase from the Sole Shareholder.

As at March 31, 2022, the balance of the share premium account amounts to EUR 234,043,749.44.

Note 4.3 Legal reserve

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

Note 4.4 Movement for the period of capital and reserve

The movements on the reserves and profit and loss accounts during the period are as follows:

€ (000)	Revaluation reserve	Legal reserve	Reserve for own shares	Other reserves	Results brought forward	Results for the financial period	Interim dividends
As at January 1, 2022	-	-	**235,060**	-	-	-	-
Movement for the period	-	-	-	-	**(13,126)**	**55,135**	-
- Allocation of previous year's profit or loss	-	-	-	-	(13,126)	-	-
- Dividends	-	-	-	-	-	-	-
- Profit or loss for the period	-	-	-	-	-	55,135	-
- other movements	-	-	-	-	-	-	-
As at March 31, 2022	-	-	**235,060**	-	**(13,126)**	**55,135**	-

"Equity equivalents" refer to capital grants linked to investments recorded in assets.

Note 4.5 Capital investment subsidies

This item is composed of :

	3/31/2022
	€ (000)
- investment subsidies	14,789
Total	**14,789**

Note 5 Creditors

Note 5.1 Amounts owed to credit institutions

The Amounts owed to credit institutions includes a €10m for its nominal value secured from the Public Investment Bank (BPI). This loan corresponds to the funding for major strategic and pivotal projects and can be split as follows:

	Total
	€ (000)
Becoming due and payable within one year	1,501
Becoming due and payable after more than one year	8,000

Note 5.2 Becoming due and payable after more than one year

	Total
	€ (000)
Other creditors	436,227

On November 18, 2021, the Group entered into a super senior revolving facilities agreement with financial institutions (the "Lenders") of a multicurrency revolving credit facility amounting to EUR 100,000,000.00 ("Revolving Facilities");
- On the same date, the Group issued sustainability-linked senior secured notes in the aggregate principal amount of EUR 450,000,000.00 bearing interest at 5.625% per annum and payable semi-annually on May 15 and November 15 of each year with a maturity of 6.5 years;
- On December 17, 2021, the Group issued 390,439,355 senior unsecured notes to Lune Parent, having a nominal value of EUR 0.01 each.

This item includes Notes issued during the period (see note 3.2) and is netted off with capitalized expenses in relation to the issuance of these Notes for an amount of EUR 14,285 k (the "capitalized expenses"). The capitalized expenses will be amortized over the existence of the Notes. An amortization of EUR 513 k has been recognized into the profit and loss.

Note 6 Consolidated statement of cash flows

The consolidated statement of cash flows appearing in the annual accounts is an indirect presentation of cash flows starting from the net income of consolidated companies.

Total cash held by the group is equal to cash and cash equivalents available less any credit balances with banks and related accrued interest not yet due.

ITEM	31/03/2022 '€ (000)
NET INCOME	55,135
	-
. Adjustments:	-
. Non-current assets: D&A	21,463
. Non-current assets: allocations to provisions	513
. Non-current assets: provision write-backs	-
. Tax income and expenses	10,300
. Financial income and expenses on debt	6,400
EBITDA	**93,811**
. Allocations net of write-backs to provisions for liabilities and char	(1,550)
. Adjustments to specific items	392
	-
. Working capital requirements:	-
. Change in inventory	1,513
. Change in trade receivables	(26,413)
. Change in trade payables	(24,260)
. Change in other working capital req.	5,903
Net cash from (used in) operations	**49,396**
. Income tax	(346)
. Financial income and expenses on debt	(18)
Net cash from (used in) operating activities	**49,033**
. Intangible and tangible assets	(20,705)
. Change in fixed asset payables	(7,689)
. Proceeds from asset sales	-
. Change in fixed asset receivables	-
. Acquisition of subsidiaries, net of cash acquired	(111)
. Repayment in long-term loans	-
Net cash from (used in) investing activities	**(28,506)**
. Issuance (repayment) of shares and other equity	-
. Dividends paid	-
. Change in other financial assets	-
. Change in current accounts	250
. Debt issuance	115
. Repayment of debt	(3)
. Investment subsidies	616
Net cash from (used in) financing activities	**978**
Net increase/decrease in cash and cash equivalents	**21,505**
. Effect of exchange rates	
. Cash and cash equivalents at the beginning of the period	211,784
Cash and cash equivalents at end of period	**233,289**

Note 7 Subsequent events

There are no significant subsequent events that occurred after the end of the Period under consideration.