ANNUAL REPORT

Pursuant to Section 4.02(a)(i) 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 annual period ended December 31, 2022

LUNE HOLDINGS S.À R.L.

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Grand Duchy of Luxembourg

LUNE HOLDINGS S.À R.L.

Annual Report

For the Fiscal Year Ended December 31, 2022

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CERTAIN DEFINITIONS

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

"**Acquisition**"	refers to the acquisition of Kem One by a subsidiary of the Issuer on December 17, 2021;
"**Annual Report**"	refers to this annual report;
"**Apollo**" or "**Sponsor**"	refers to Apollo Global Management, Inc. collectively with its subsidiaries as described in "*Principal Shareholder*"
"**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 Annual 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;
"**GHGs**"	refers to greenhouse gases;
"**GP-PVC**"	refers to general purpose PVC;
"**Group**," "**we**," "**us**" **or** "**our**"	refers to Parentco and its subsidiaries from time to time;
"**Guarantors**"	refers to, collectively, Bidco, K1 Group SAS and Kem One;
"**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 Issuer’s 5.625% senior secured notes due 2028;
“**Notes Guarantees**”	refers to the guarantees of the Notes by the Guarantors;
“**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;
“**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 Performance Target**”	refers to the Group’s target to reduce Scope 1 and 2 emissions by 22% from a 2019 baseline of 485kt eqCO_2 by December 31, 2025;
“**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 Annual 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 Annual 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 and other non-historical statements. This Annual Report contains certain forward-looking statements in various sections, including, without limitation, under the headings "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Business*" and in other sections where the Annual 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*," as well as those included elsewhere in this Annual Report. 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 general economic and business conditions, including inflation, rising interest rates and a possible regional or global recession;
- higher than expected raw material, energy, transportation and/or logistics costs, including as a result of inflation;
- 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;
- the impact of military conflicts, including the current conflict between Russia and Ukraine, terrorism or other global geopolitical events on our business, industry and the markets in which we operate;
- the impact of COVID-19 on our business, liquidity, financial condition, and results of operations;
- 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;
- risks that the interests of the Apollo Funds that control us conflict with the interests of 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 this Annual Report.

The risks listed above and those further described in the "*Risk Factors*" section of this Annual Report are not exhaustive. Other sections of this Annual 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 sections of this Annual Report entitled "*Risk Factors,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and "*Business*" 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 Annual 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 Annual 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 Annual Report are the financial statements and financial information of Parentco and not the Issuer.

As a result of the Acquisition and purchase accounting requirements, Parentco's consolidated income statement for the twelve months ended December 31, 2021 is not inclusive of the consolidated results of the K1 Group. Purchase accounting requires that for the twelve months ended December 31, 2021, the consolidated K1 Group results were reset as part of goodwill accounting and thus do not flow through the consolidated Parentco income statement. In order to present the Group's results of operations and financial condition on a consistent and comparative basis, the 2021 financial figures in the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operation*" represent the combined results of the K1 Group consolidated income statement and the Parentco income statement. We note that both the K1 Group and the Parentco results are presented on a Luxembourg GAAP basis; therefore, the combined group results are on a Luxembourg GAAP basis as well. See the appendix to this Annual Report for a representation of the combining income statement.

The financial results for the FY22 period are prepared in accordance with Luxembourg GAAP and represent the consolidated Parentco figures, which include the consolidated results of the K1 Group. It should be noted that FY20 results were prepared in accordance with French GAAP, while FY21 combined Group and FY22 Parentco results are prepared in accordance with Luxembourg GAAP.

BUSINESS

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 December 31, 2022, we had approximately 890 kilotonnes of GP-PVC and Specialty PVC resin production capacity, 750 kilotonnes of caustic soda production capacity, and 124 kilotonnes of chloromethanes production capacity. We benefit from a diversified geographical exposure with approximately 30%, 18% and 11% of our 2022 revenues generated in France, Italy, and Germany respectively, with the remainder in the rest of Europe (22%) and the rest of the world (19%). 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 fiscal year ended December 31, 2022, we had revenues of €1,525 million and Pro Forma Adjusted EBITDA of €397 million, resulting in a Pro Forma Adjusted EBITDA Margin of 26%.

We produce four primary products:

GP-PVC:

PVC is the third most widely used plastic globally. GP-PVC's durability, light weight, and relatively affordable price make it ideally suited for use in the building & construction industry, which is our primary end-market; we also have exposure to other end markets including medical and automotive, among others. Within building & construction, PVC is used across a broad range of applications including pipes, profiles and sheets, film, window frames, and cable insulation. The primary raw material inputs for our GP-PVC products are chlorine, which we produce internally at our Fos and Lavera chlor-alkali sites, as well as ethylene, which we source from third party suppliers.

GP-PVC accounted for 44% of our total revenues for the year ended December 31, 2022. We are the third largest producer of GP-PVC in Europe, through our sites in Balan, Berre, and Saint-Fons. Our key competitors include Inovyn, Vynova, ShinEtsu, Vestolit, and Westlake, among others. We differentiate ourselves from our competition primarily through our strong market share in Southern Europe, as well as our easy access to fast-growing export markets such as Turkey and India where selling prices are high. We benefit from strong customer diversification with our top 10 customers representing 19 % of total revenues in 2022. Some of our customers include leading companies in their respective fields, including Klockner Pentaplast, Tarkett, and Westlake (Nakan).

Specialty PVC:

Our Specialty PVC business consists of the production of both C-PVC and P-PVC. Specialty PVC products are highly specialized grades of PVC for niche applications in a variety of end markets. Specialty PVC represents an attractive product range which typically has higher margins than GP-PVC and greater levels of stability. Our focus on R&D has resulted in the introduction and successful adoption of new specialty P-PVC grades over time. Through our dedicated laboratory in Saint Auban, we provide technical assistance and innovative, sustainable formulations to address the specialized needs of our customers. We believe Kem One is differentiated in Specialty PVC – resulting in long-term and durable relationships with our customers – due to the tailored nature of our solutions and our

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

practice of joint development with our customers. Of our top 15 P-PVC customers, 80% have been customers of Kem One for longer than fifteen years and 93% have been customers of Kem One for longer than ten years.

Specialty PVC accounted for 12% of our total revenues for the year ended December 31, 2022. We are the second largest producer of C-PVC in Europe and the fourth largest producer of P-PVC in Europe, each based on our capacity as of December 31, 2022 and according to IHS. Many of our key competitors coincide with our main competitors in GP-PVC: Inovyn, Vynova, ShinEtsu, Vestolit, Westlake, but also LG Chem and Lubrizol.

Similar to G-PVC, our Specialty PVC products are used in a diversified range of applications and end markets, including auto (e.g., high-tech dashboards, interiors, and endurance components), energy (e.g., lightweight composites for the clean energy sector), healthcare (e.g., medical equipment), and building and construction (e.g., pipes, flooring, and window and door frames). Raw material inputs required in Specialty PVC are similar to GP-PVC, compromising chlorine (which we produce internally) and ethylene. Our Specialty PVC business has a diversified customer base, including a number of international players.

Caustic Soda:

Caustic soda is an essential ingredient in a wide variety of everyday industrial applications. Kem One's caustic soda production serves a broad and highly diversified range of end-markets including those with defensible characteristics such as pulp & paper, alumina, food, and soap and water treatment. We view caustic soda demand as growing with GDP, given its end markets. Kem One produces caustic soda at its Fos and Lavera chlor-alkali sites in Southern France; caustic soda is co-produced with chlorine, which is used in our production of PVC.

Caustic soda[2] accounted for 27% of our total revenues for the year ended December 31, 2022. We benefit from our leadership position in Southern Europe and the Mediterranean, where we are the largest caustic soda producer, based on our capacity as of December 31, 2022 and according to IHS. Kem One is also the fifth largest producer of caustic soda in Western Europe by capacity. Our main competitors include Dow, Inovyn, Nobian and Covestro. We benefit from our recently converted Lavera site which operates a state-of-the-art bipolar membrane production process, as well as our efficient supply chain that offers our customers enhanced flexibility, short supply time, and competitive pricing. Our customers are geographically located mainly through France, Spain and Italy, where we generate 56% of our revenues due to our solid position and consolidated market share. Our key customers include companies such as HELM, Solevo, CTS and Brenntag.

Chloromethanes:

Chloromethanes is a chemical intermediate used in a variety of end markets; key raw materials are methanol and chlorine. Our Chloromethanes product line accounted for 4% of our total revenues for the year ended December 31, 2022. While a smaller market than PVC and chlor-alkali at 7.6 million tons, as of December 31, 2022, Kem One is well placed as the second largest producer of Chloromethanes in Europe. Key competitors in the chloromethanes business include Nobian, Olin, Inovyn, and Vestolit.

Our end-applications mainly include silicones, chlorinated solvents, refrigerants, and polytetrafluoroethylene. Chloromethanes are also used for a variety of other applications including agrochemicals, pharmaceuticals, and personal care. One of our primary chloromethane products is carbon tetrachloride, which we expect will be a driver of growth going forward given it is a key input for the new generation of low emission HFO refrigerants, which are currently substituting the older generation of higher-emission refrigerants at a fast pace. This represents a new and highly attractive source of demand for our carbon tetrachloride products; we expect this shift to continue to drive growth in our Chloromethanes profitability going forward.

Our customer base includes leading blue chip chemicals companies such as Arkema, Solvay, SNF, and Chemours. These customers are geographically located mainly in France, as well as geographies such as the Netherlands, Italy, and Spain.

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[2] Caustic soda includes a de minimis (<1%) amount of other chlorine derivatives.

Kem One's History and Transformation

Previously part of Arkema, Kem One was created as a standalone entity in 2012. As a result of underinvestment, misaligned strategy, poor industry dynamics and other various one-off factors, Kem One filed for receivership in 2013. While a difficult period in Kem One's history, the business emerged in 2014 under the leadership of new owner Alain de Krassny.

This marked the beginning of a new chapter in Kem One's history, characterized by an ambitious operational improvement and capital investment program that coincided with significant changes in the chlorovinyls industry dynamic. Over the past 9 years, €768 million has been invested in Kem One's plants to upgrade our assets, structurally lower our cost base, and improve our plant reliability. These initiatives have resulted in a reduction of consumed energy per tonne of PVC by 12% between 2013 and 2022. The investments were made in the context of an improving chlorovinyls market environment, where supply rationalized concurrently with improved demand. We believe the Kem One of today is stronger and more resilient than the Kem One of years ago and is well positioned for sustainable organic growth in the near-term and long term.

There have been several significant internal actions taken by Kem One that have served to fundamentally reshape the company. Kem One's management has led an ambitious €768 million investment program over the past 9 years that succeeded in dramatically improving our plants' operating performance, efficiency, and reliability, and has transformed Kem One's cost position in Europe. These investments include the conversion of the electrolysis production process at our Lavera plant into state-of-the-art bipolar membrane production technology, and the construction of a highly strategic ethylene import terminal located at our Fos plant, which was completed in Q4'21 and became operational in February 2022, providing a cost-competitive and more reliable supply of ethylene. We estimate that the Lavera conversion resulted in €38 million of annual EBITDA savings, driven by the enhanced energy efficiency of the plant. The higher energy prices are the higher the savings are. We estimate that the ethylene terminal resulted in €19 million in annual EBITDA savings from improved purchasing terms alone, with significant upside from the enhanced reliability of our plants. These investments are emblematic of Kem One's strategy: to continuously build on the efficiency and reliability of our operations, while simultaneously delivering on our promise of operating our business in a more environmentally sustainable manner. We believe this investment program has made Kem One an ideal platform for long-term, sustainable organic growth going forward.

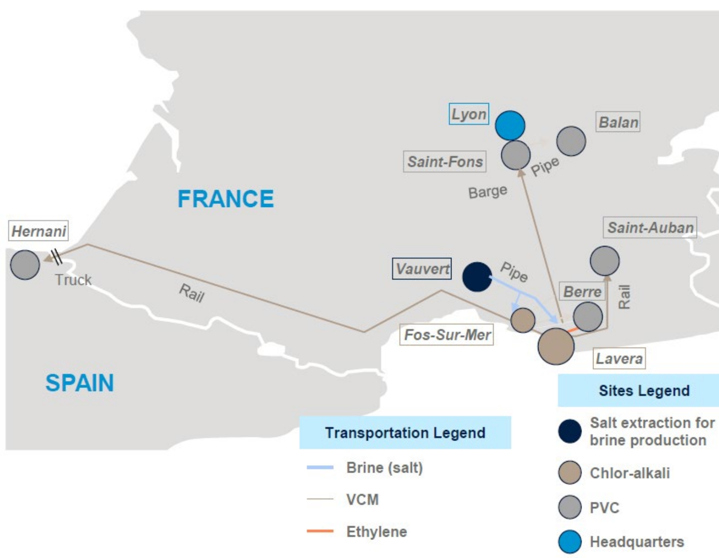
Chlorovinyls industry dynamics have improved dramatically over the same time period as Kem One's ambitious investment program, with a shift in supply-demand dynamics having taken place over the past 8 years. In 2013, the chlorovinyls industry was relatively unattractive, characterized by weak demand (post the financial crisis) and an over supplied market. Demand has since strengthened, on the heels of an improved outlook for building and construction. On the supply side, in 2013 EU legislation mandated that mercury cell plants (which constituted an estimated 20% of European chlorine capacity) convert to membrane cell technology by 2017. This resulted in capacity rationalization in the market (an estimated 8% of caustic soda supply was permanently removed) and a wave of sector consolidation. Further, we believe the supply environment in Western Europe has been reinforced by the convergence of ethylene prices between the U.S. and Europe, which reduces the competitive advantage once enjoyed by U.S. producers and limits the feasibility of U.S. exports into the European market. These factors have combined to structurally improve the utilization rate in the Western European PVC and caustic soda market, which has led to what we believe to be sustainable improvements in pricing.

Kem One's performance through the COVID-19 pandemic exemplifies Kem One's transformation: the Kem One of today is a business able to weather severe market conditions. Through 2020, we were able to mitigate the impact of COVID-19 on revenues, volumes and margin and maintain positive free cash flow. We believe this strong performance is the result of the structural improvements generated by our investment program, as well as management's highly flexible approach, and demonstrates the essential nature of our product base, the underlying strength and resilience of the business, and the cash flow generation capability of our operations.

The final part of Kem One's transformation has been a strengthened focus on ESG, which we believe is imperative to ensure the sustainability of our business model and industry. We are committed to reducing our environmental footprint and improving the energy efficiency of our manufacturing, as demonstrated through our commitment to reduce CO_2 emissions by 50% from a 2013 baseline. We are a member of the chemical industry's International Responsible Care program, and in 2019, we signed the French business climate pledge. In addition, we are signatory to, and an innovative player in, Fret 21, a group of shippers in France committed to reducing emissions, and as part of our participation, we have committed to reducing CO_2 produced by transport by 8% by 2023 from 339.4 kg CO_2 per shipment unit. All of our manufacturing sites are ISO5000 certified sites. Between 2013 and 2022, we reduced our energy output per tonne of PVC produced by 12%, and our CO_2 equivalent emissions per tonne of PVC produced by 18%, driven by our €167 million investment in the electrolysis conversion at our Lavera site completed in 2017, offset by higher-than-normal emissions related to the restart of the Lavera plant in 2022. Between 2016 and 2022, we reduced 40% of vinyl chloride emissions at our sites and our Saint-Fons site cut its volatile organic compounds emissions by 88%. We continue to set targets and implement strategies that confirm our commitment to reducing our carbon emissions.

Kem One's Production Chain and Footprint

We believe we have an optimized and efficient internal supply chain, due to the geographic locations of our plants, our back-integration, and the ambitious investment program that began 9 years ago under the leadership of de Krassny. Kem One operates eight production sites across France and Spain; seven of these plants are located along the Rhone Valley in France, and one plant is located in Hernani, in North-East Spain. Our back integrated supply chain provides us with cost-advantaged and flexible production. Our internal production process begins with the extraction of brine (salt) from double wells at our salt mines located in Vauvert. This brine is then transferred via pipeline to Lavera and Fos, our two chlor-alkali plants located in the South of France. At these facilities, brine is transformed into chlorine and caustic soda (which are coproducts) through the electrolysis process. Caustic soda is sold externally to Kem One's third-party customers, and chlorine is converted into chloromethanes for sale or, when combined with ethylene, transformed into VCM. VCM is transported via pipe, rail, and truck to our Berre, Saint-Auban, Saint Fons, Balan, and Hernani sites, where it is modified to become GP-PVC or Specialty PVC.



Our assets, footprint, and access to cost-advantaged raw materials support our cost-competitive position in the European chlorovinyls market. The major feedstocks for PVC and caustic soda are electricity, salt, and ethylene, with ethylene representing 42% of Kem One's raw material and energy costs. While historically we have been competitively disadvantaged in our ethylene purchasing due to our single-sourced supply position at the Fos and Lavera plants, the completed ethylene terminal has broadened our options for supply, which has increased our flexibility and improved our negotiating leverage with our suppliers. As a result of the completed ethylene terminal, we achieved wider contracted discounts with both existing and new ethylene suppliers. The ethylene terminal has also allowed us to opportunistically take advantage of low-cost ethylene around the world, such as from the U.S.

Another key input to the chlorovinyl production process is electricity. Electricity for Kem One's French plants comes from the French grid, of which approximately 70% originates from nuclear power. We believe this exposure to nuclear power will help insulate Kem One from volatility in the electricity market, especially when compared to our competitors outside of France who tend to have less exposure to nuclear and more exposure to gas. Additionally, we believe we are uniquely positioned given our full back-integration in salt through our best-in-class mines at Vauvert. Significant investments were made between 2014 and 2018 to increase the reserves at Vauvert to ensure supply reliability for more than 50 years into the future. Having an in-sourced salt supply allows us to minimize margin spent on third-party purchases and removes susceptibility to fluctuations in merchant pricing.

We continuously look for opportunities to reduce our energy cost and consumption. We have implemented a number of energy management programs since 2013 to achieve more efficient processes and improve our profitability. These initiatives have resulted in a reduction of consumed energy per tonne of PVC by 12% between 2013 and 2022. In addition to previously completed efficiency projects, such as the Lavera conversion and Fos ethylene terminal project, further strategic investments are planned to continue to reduce energy use.

Key Trends in Chloromethanes

The Western European market has recovered to pre-pandemic levels following a decline of 3.2% in 2020 due to COVID-19, mainly driven by temporary decline in demand for silicones and chemical intermediates.

Growth in demand for chloromethanes used in silicone polymers is driven by growth in end-markets such as automotive, electrical and electronics, and construction. Silicone fluids are driven by demand in cosmetic and toiletries while elastomers and resins are driven by construction and automotive markets. Silicone polymers are produced using methyl chloride which is the largest application of methyl chloride.

Chloromethanes are used as chemical intermediates for a variety of chemicals, including methyl cellulose, fluorocarbons, surfactants, dyes, and other chemicals. Demand of chloromethanes into fluorocarbons is positively driven by the production of fluoropolymers and, to a lesser extent, fluoroelastomers. Fluoropolymers find applications in semiconductor, manufacturing, automotive components, electrical appliances, and non-stick plans.

Other drivers for chloromethanes demand include end-market demand for cosmetics and pharmaceuticals within the broader personal care industry and methylene chloride is primarily used as a solvent to manufacture cosmetics. Pharmaceutical demand for chloromethanes as production solvents is driven by underlying industry drivers such as an ageing population. Methylene chloride remains the most widely-used chlorinated solvent in pharmaceuticals and fine chemicals due to its high performance in organic synthesis and due to its superior performance relative to other potential solvents with respect to production yield and purity.

There are a limited number of chloromethanes suppliers in Europe due to market consolidation and capacity reductions over the last six years, including the closure of Inovyn's chloromethanes facility in Runcorn in 2016. As such, market pricing has tightened in Western Europe and management expects market pricing to remain attractive for producers in the short-to-medium term.

Environmental, Social and Governance

Environmental

Kem One has a clear and ambitious energy and climate policy. Our overarching aim is to help improve the chemical industry's energy efficiency by 1% per year by 2030 which is in line and supports the French government's aim to achieve carbon neutrality by 2050. This commitment was underscored by our signing of the French Business Climate Pledge in 2019. This means we promise to meet all regulatory requirements as well as to invest in the necessary resources required to achieve the objectives laid out in the Pledge. We are focused on three core areas to achieve our goals:

- Invest in more energy efficient processes and low carbon technologies.

- Introduce technologies designed to electrify end-uses and re-use heat flows.

- Focus on employee education around energy efficiency, the importance in reducing greenhouse gases, and the important role that we at Kem One can play.

Key quantitative data we track in conjunction with these aims:

- Energy consumption: the main indicator of K1's energy performance is expressed in MWh per tonne of PVC. In 2022, this indicator was 5 MWh/t.

- Scope 1 and 2 CO_2 emissions per tonne of product (PVC, caustic soda and chloromethanes).

- Water consumption: Each plant follows its specific parameters and keeps water resources under tight control.

Sustainability is another key component of Kem One's environmental strategy. This focus on sustainability is closely linked to our purchasing strategy. We have recently begun efforts to use bio-based ethylene which will help us to produce bio-based VCM and PVC, an area where we see significant demand growth. We also sought out renewable electricity supply for our Lyon headquarters last year. This sustainable push has also led to us actively pursuing initiatives that support recycling and the development of the circular economy. We have initiated several projects and have a defined objective of commercialising 15kT of recycled materials within the next 4-5 years. The key recycling projects we are currently working on include:

- Chemical extraction of "legacy additives" contained in end of life PVC like window frames, pipes or cables. Some of these additives are forbidden today and prevent easy recycling of end of life products in newly commercialized finished products.

- Collaborative project with two industrial partners and the University of Lyon on the recovery of end of life floorings and composite textiles.

- Collaboration with a French company involved in the recycling of cables to recover conductive metals which would be used in the production of PVC cables.

We also aim to explain to our customers the carbon footprint of our products such that they are able to make informed decisions.

Social

The safety of Kem One employees and of any individual working at a Kem One site is of the utmost importance to us. This commitment is explicitly documented in the Health, Safety, Environment, and Quality charter that helps to govern the everyday operations at Kem One. Supplementing the charter is a three-track approach to ensuring safety is paramount to all individuals working at a Kem One site. This approach covers technical, organisational, and human angles and is focused on tackling any potential risks at source. This approach and the charter itself are regularly reinforced through regular training programmes provided to our management team and the broader employee population. Such teaching takes the form of communication campaigns as well as games-based training. In terms of the practical measures taken to track physical, chemical, and biological risks we analyse the risk first on its risk without protective measures and then with protective measures taken. We then classify these risks into an acceptability matrix which helps us to action any remedial steps that need to be taken immediately.

Alongside safety, we are also highly focused on ensuring that our employees enjoy working at Kem One both from a wellbeing perspective but also from a turnover perspective. We periodically hire an external consultancy to assess the level of employee satisfaction to ensure fully impartial results. As such, Kem One is conducting a survey in April 2023, with results expected in May 2023; however, the previously conducted survey from 2019 highlighted an overall satisfaction rate of 72%, which is something we are proud of but are also continuously working to improve upon. For permanent contract employees, our overall turnover rate in 2022 was 5.8%, which is below the average for the French industry of 8.1%. This figure includes a resignation rate of 1.3% in 2022. We are also working to ensure our workplace is more inclusive. In 2020, we signed commitments to focus on improving indicators associated with employees with disabilities and professional equality. Individuals with disabilities now represent 6.9% of our workforce, which is above the 6% legal requirement in France. We are also committed to achieving an 85/100 score on the gender equality index. Our most recent score in 2022 was 82/100. We scored 37/40 for the gender pay gap, which translates into an overall pay gap of 2.4%. We are also committed to promoting the safety and wellbeing of the employees of firms we work with. For example, we impose rigorous standards of safety on our logistics providers and will enter into contracts with them that forbid them from engaging in unlawful employment practices.

Customers and community

Product safety and importance is key to our institution as it helps to drive profitability by establishing deep-seated trust with our customer base. As such, the Kem One team has a dedicated Regulatory Affairs team that provides support to our customers for all queries related to product safety as well as ensuring we are in full compliance with all regulatory requirements in all of the jurisdictions within which we operate. A dedicated emergency phone number is also made available to all customers. We are also focused on actively improving customer satisfaction through a multitude of initiatives including but not limited to: physical meetings and video conference calls with customers for regular sales discussions and contract discussions, ongoing customer surveys to understand sources of satisfaction and areas of concern, tracking the monthly rate of claims on each product line, encouraging customers to visit our plants, and providing yearly scorecards to key customers. One aspect of our sales strategy that we view as unique to Kem One is our active pursuit of partners. We look to include customers in specific projects that help deliver optimal outcomes for each of us. For example, we have worked on a project to include more recycled PVC in floor covering and composite textiles with our customers. Through co-developing products we are ensuring that we are meeting the exact needs of our clients. Our partnership approach is also reflected in our approach to our local communities. A project that we are proud of is the fact that we have used the Saint-Fons site to host a start-up specializing in biogas filtration systems since 2017. In a similar vein we have facilitated the development of renewable energy locally by providing our land for renewable energy production facilities.

IT Security

IT Security at Kem One is supervised by a committee of 4 members, under the direct responsibility of the CIO. This committee works along 3 main guidelines:

- Raise the awareness of our employees by the regular promotion of best IT security practices among them, and assess their proficiency in this field with small quizzes.

- Organize the IT security incidents response, in order to improve the response time of our teams in the event of an attack on our systems.

- Adopt technical measures to protect our network from most common threats: network partitioning, limited user rights, patch management on our systems, threat detection systems, etc.

Governance

Complying with all relevant regulation, legislation, and required industry practices is something we take extremely seriously. Upon changes to competition law the Kem One team regularly holds update sessions for its employees where we walk through procedures and behaviours that need to be adopted in order for the business to be in compliance. Another topic on which we place considerable importance is anti-corruption. On this front we have implemented all of the measures required by the Law, Sapin II, which was instituted on December 9, 2016 and is focused on transparency and the fight against corruption. Key tenets of this agreement are as follows:

- A code of conduct defining and illustrating the types of behavior likely to characterize acts of corruption or influence peddling. This code of conduct has been incorporated into Kem One's internal regulation. We've also put in place a disciplinary regime to sanction employees in the event of a violation of this code of conduct.

- An alert system allowing the collection of reports from Kem One's employees and its external counterparties regarding the existence of such behavior.

- A mapping of the risks of the company's exposure to the risks of corruption and influence peddling.

- A procedure that ensures customers, suppliers and intermediaries are all properly assessed before we do business with them.

- A dedicated training programme for executives and the most exposed personnel.

- A system for internal control and evaluation of the measures implemented. Consequently an annual report has been issued since 2020 and is submitted to approval to COMEX.

We have a considerable financial control function which consists of 25 individuals. Reporting is carried out on a monthly basis using an ERP SAP system which has proven reliable and robust. In conjunction with the monthly reporting we also carry out two formal consultations in June and in December led by the CFO.

Research, Technology and Engineering

We operate two research and development centers in France. Our research and technology activities are focused on:

- Improving variable production costs, reliability and productivity of all processes, including, for example:

    - *Electrolysis:* maximizing current density, optimizing remembraning and recoating activities and preventing brine pollution;

    - *Chloromethanes:* improving the reliability of the installation; and

    - *PVC:* developing proprietary PVC stripping technology, initiator synthesis technology and kinetics control technology through appropriate polymerization inhibitors and optimizing PVC batch production and recipes by testing new additives;

- Developing new resins and new applications;

- Optimizing the product mix along with the different production lines;

- Producing products that generate higher value on the market (for example, Specialty PVC grades and formulations) in line with customer and legislative requirements; and

- Improving the quality of our existing grades.

To assist in these projects, we have laboratory-scale production facilities that simulate the PVC cycles from chlorine production to the final processing of PVC resins. Our laboratories contain processing equipment and product analysis facilities to provide information on the composition, properties and performance of PVC products. We have established best practices groups for our main products across our businesses, allowing internal experts to compare their practices and generate ideas for improving safety, quality, capacity and reducing production costs. These resources actively support our commercial activities in product sales.

Intellectual Property

We have developed and maintain a portfolio of registered patents and trademarks in a number of territories and benefit from an exclusive licensing arrangement covering certain intellectual property used in our business with our shareholders and affiliates. In addition, we maintain our trade secrets and proprietary information through careful selection of our partners and the locations of our research facilities, through non-competition undertakings with our employees and contractors and through confidentiality agreements with our contractors, developers and customers.

We are not aware of any threatened, proposed or actual proceedings that have been or will be brought against us for infringement of third-party intellectual property rights or any infringement of our intellectual property rights by third parties that, if successfully prosecuted, would have a material adverse effect upon our business.

Insurance

Our plant, equipment and other assets are insured for certain property damage and business interruption risks under a policy maintained by the Group and under which we are a named insured party. Our business as a whole is insured for certain public, environmental and products liability risks under insurance policies maintained by the Group and under which we are a named insured party. We have our own deductibles, separate from those of the Group, under these policies. We believe these insurance policies are generally in accordance with customary industry practices, including deductibles and limits of coverage. Insurance coverage relating to environmental matters tends to be subject to significant limitations and exclusions. For further information, please see "*Risk Factors*." Our insurance coverage may not be adequate to cover all the risks we may face, and if we were no longer covered by our existing insurance, it may difficult to obtain replacement insurance on acceptable terms or at all.

Employment Matters

As of December 31, 2022, we employed approximately 1,475 individuals, including both full and part-time employees. As a result of the technical nature of our business, there is a high level of technical and professional qualification among the management, and we place a high priority on technical training and personal and professional development for all staff.

Remuneration and retirement benefits

Our remuneration and benefits policy is designed to reward employees in line with good market practice (externally verified) in each of the countries in which we operate. It is our policy to provide retirement benefits for our employees in line with local market practice and requirements, and we currently operate a number of retirement benefit arrangements in several jurisdictions. As of December 31, 2022, our retirement benefit liabilities and other commitments on long-term labor contracts, measured on an IAS 19 (Revised) basis, amounted to €27.2 million.

Labor relations

Membership in trade unions varies in accordance with the business areas and local practice in the countries in which we operate. A number of our companies have entered into collective bargaining agreements with trade unions either directly or as members of employer organizations. These agreements typically govern, among other things, terms and conditions of employment and dispute resolution procedures. Terms and conditions of union agreements reflect the prevailing practices in each country.

Properties

The following table sets forth the product, location, and production capacity as of December 31, 2022 for each of our production facilities.

Product by Facility	Country	Capacity (kilotonnes per annum)
PVC Products		
GP-PVC		
Balan	France	305,834
Berre	France	279,481
St. Fons	France	168,174
Total GP-PVC		753,488
C-PVC		
St. Fons	France	11,187
Total C-PVC		11,187
P-PVC		
St. Auban	France	73,256
Hernani	Spain	49,297
Total P-PVC		122,553
Total Specialty PVC		133,740
Total PVC Products		887,228
Caustic Soda		
Fos	France	371,248
Lavera	France	378,824
Total Caustic Soda		750,072
Chloromethanes		
Lavera	France	124,100
Total Chloromethanes		124,100
Other		
Chlorine		
Fos	France	322,824
Lavera	France	329,413
Total Chlorine		652,237
Ferric Chloride		
Lavera	France	30,000
Total Ferric Chloride		30,000
Hydrogen		
Fos	France	8,900
Lavera	France	9,100
Total Hydrogen		18,000
Hydrochloric Acid		
Fos	France	10,000
Total Hydrochloric Acid		10,000

Legal Proceedings

Periodically, we are involved in proceedings or litigation arising in the ordinary course of business. For example, we are a defendant in a breach of contract claim filed before the Commercial Court of Paris in July 2020 involving an electrical incident. The claim alleged damages of approximately €26.2 million. In July 2021, the Commercial Court of Paris ordered the Company to pay for the loss in an amount to be assessed by a financial expert to be appointed by the court. The court appointed financial expert calculated the Company's liability at €15.3 million. We have appealed the decision and asked the Commercial Court to suspend the proceedings pending the decision of the Court of Appeal. We expect that our liability in this matter will be covered by our general liability insurance policy, but there can be no assurances of any outcome or result.

We are also party to a contract dispute relating to assembly work on the electrolysis cells for our Lavera electrolysis conversion project. Certain of the parties to this matter have initiated arbitration proceedings related to the dispute. We entered into a settlement agreement with these parties, pursuant to which such parties have agreed to dismiss the arbitration proceedings. We continue to vigorously defend this matter with respect to the remaining claims, and there can be no assurances of any outcome or result. We estimate that the Company's total exposure related to these claims, including the settlement amounts, is less than €7.5 million.

We do not believe that the ultimate resolution of any other threatened, proposed or actual proceedings of which we are currently aware will materially affect our financial condition or results of operations.

RISK FACTORS

You should carefully consider the risks described below as well as other information and data contained in this Annual Report before making an investment decision. If any of the events described in the risk factors below occur, our business, financial condition and results of operations could be materially adversely affected, which in turn could materially adversely affect our ability to repay the Notes. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, operating results or prospects. In any such case, you may lose all or part of your investment in the Notes.

This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including the risks described below and elsewhere in this Annual Report.

Unless otherwise stated or the context otherwise requires, in this section the terms "we," "us," and "our" refer to the Parentco and its subsidiaries.

Risks Related to Our Business and Industry

The chemical industry is cyclical, and changing market demands and prices may negatively affect our operating margins and impair our cash flows, which, in turn, could affect our ability to make payments on our debt or to make further investments in our businesses.

Cyclicality and volatility in supply and demand in the chemical industry may affect our prices and may negatively impact our operating margins and cash flows and cause us to incur losses. Any cyclical downturn may affect our prices and may negatively impact our operating margins and cash flows and cause us to incur losses. Furthermore, increased volatility in industry margins could have a significant impact on our short-term results. In such cases, we would have to absorb any losses or borrow additional funds. Rising levels of inflation and rising interest rates may exacerbate these issues by increasing our costs and negatively impacting our margins, while also making it difficult for us to borrow additional funds on terms acceptable to us or at all. If we experience significant margin volatility or if we generate losses over a prolonged period and are unable to obtain additional funds, our liquidity could be materially adversely affected and our ability to make debt payments would be impaired.

The relationship between supply and demand in the chemical industry in general, and in our various chemical segments historically, has been highly cyclical. This is primarily because product supply is driven by alternating periods of substantial capacity additions and periods in which no or limited capacity is added. Historically, the markets for some of our products have tended to follow trends in economic growth and have experienced alternating periods of constrained supply, causing prices and margins to increase, followed by periods of capacity additions, resulting in oversupply and declining prices and margins. In response, companies typically reduce capacity or limit further capacity additions, eventually causing the market to be relatively undersupplied. Any slowdown in growth for any reason could have a disproportionately negative effect on industry margins for our chemical products.

Margins in the chemical industry can be volatile from time to time, in some instances due to factors beyond our control, including:

- short-term utilization rate fluctuations due to planned and unplanned plant outages;
- political and economic conditions, which drive rapid changes in prices for our key feedstocks;
- customers' inventory management policies; and
- exchange rate fluctuations.

If we are unable to pass on increases in raw material prices, or to retain or replace our key suppliers, our results of operations may be negatively affected.

Our margins are largely a function of the relationship between the prices that we are able to charge for our products and the costs of the feedstocks we require to make these products. The prices for a large portion of our raw materials are cyclical and may increase significantly and rapidly as a result of inflation.

While we attempt to match raw material price increases with corresponding product price increases, our ability to pass on increases in the cost of raw materials to our customers is, to a large extent, dependent upon our contractual arrangements and market conditions. There may be periods of time during which we are not able to recover increases in the cost of raw materials due to our contractual arrangements or to weakness in demand for, or oversupply of, our products. Specifically, timing differences in pricing between raw material prices, which may change daily, and product prices, which in many cases are negotiated only monthly or less often, sometimes with an additional lag in effective dates for increases, have had and may continue to have a negative effect on profitability. Rising levels of inflation have increased levels of volatility in the prices of our raw materials, causing prices to rise more rapidly and more significantly than normal, which may make it more difficult for us to pass on such increases to our customers. Even in periods during which raw material prices decline, we may suffer decreasing profits if raw material price reductions occur at a slower rate than decreases in the selling prices of our products. In addition, when raw material costs decrease, customers may seek relief in the form of lower sales prices. Furthermore, some of our customers take advantage of fluctuating prices by building inventories when they expect product prices to increase and reducing inventories when they expect product prices to decrease.

Further, volatility in costs and pricing can result in commercial disputes with customers and suppliers with respect to interpretations of complex contractual arrangements. Significant adverse resolution of any such disputes could also reduce our profitability.

We obtain a significant portion of our raw materials from selected key suppliers. If any of these suppliers is unable to meet its obligations under present supply agreements, we may be forced to pay higher prices to obtain the necessary raw materials and we may not be able to increase prices for our finished products. Therefore, volatility in raw material prices or interruptions in supply could place increased pressure on our margins and reduce our cash flow, which could impair our ability to make debt payments or make further investments in our business.

If we fail to maintain our relationships with our current suppliers, our suppliers offer pricing and other terms that are not satisfactory to us or a supplier fails to supply raw materials that meet our quality, quantity and cost requirements, we may be unable to fill our customers' orders on a timely and cost-effective basis or in the required quantities, which could result in order cancellations, decreased revenues or loss of market share and damage to our reputation.

Our industry is affected by global economic factors including risks associated with a recession and our customers' access to credit.

We face risks attendant to changes in consumer demand for goods that incorporate our products, economic environments, rising levels of inflation, changes in interest rates and instability in securities markets around the world, among other factors. In particular, a worsening economic climate can result in decreased industrial output and decreased consumer demand for products including automobiles, consumer goods and building materials, all of which incorporate our products. Adverse economic conditions, including inflation, can affect consumer and business spending generally, which would result in decreased demand for goods that incorporate our products and have an adverse effect on our results of operations.

Our financial results are substantially dependent upon the overall economic conditions in the United States, the European Union and Asia. An extended recession in any of these locations or globally—or public perceptions that result in declining economic conditions—could substantially decrease the demand for our products and adversely affect our business. Moreover, many of our customers rely on access to credit to adequately fund their operations. The inability of our customers to access credit facilities may adversely affect our business by reducing our sales, increasing our exposure to accounts receivable bad debts and reducing our profitability.

Inflation could adversely affect our business, financial condition, results of operations and cash flows.

Inflation has been on the rise in many of the countries across the globe. Inflation in the countries where we operate may adversely affect our business by increasing the cost of raw materials, energy, labor and transportation. Current or future efforts by governments to stimulate their economies may increase the risk of significant inflation in such jurisdictions. In the event of an increase in inflation (or a further increase in inflation), we may seek to increase the sales prices of our products in order to maintain satisfactory margins; however such increases may not be accepted by our customers, may not be sufficient to compensate for the negative impact of inflation or may decrease demand for our products and our volume of sales. If we are not able to fully offset the effects of increased inflation, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Adverse conditions in the credit and capital markets, or other business-related factors, may limit or prevent our ability to borrow or raise capital.

While we believe we have facilities in place that will allow us to borrow or otherwise raise funds as needed, adverse conditions in the credit and financial markets could prevent us from obtaining financing in the future. For example, in response to rising inflation, interest rates have increased, and may continue to increase in the future, which may make it difficult for us to obtain financing when needed on attractive terms or at all and increase our interest rate risk associated with variable rate debt instruments. Furthermore, even if financial markets are stable, we may be unable to obtain access to credit on attractive terms or at all if we suffer a rating downgrade, if we are too highly leveraged or if lenders believe that our business model is too dependent on volatile commodities or any other source of uncertainty. Worsening credit and financial markets may also affect one or more of our major suppliers.

Our ability to invest in our business and refinance debt obligations could require access to the credit and capital markets and sufficient bank credit lines to support cash requirements. If we are unable to access the credit and capital markets, including an inability to acquire receivables financing in countries that have suffered credit ratings downgrades, this could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We face significant competition in our industries, whether through efforts of new or current competitors or through consolidation of existing customers, which may adversely affect our competitive position, sales 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. Competition in most of our industries is based primarily on price and, to a lesser extent, on product performance, product quality, product deliverability and customer service. Our principal competitors vary from business to business and range from large global chemical companies to numerous smaller regional companies. Some of our competitors are larger and more vertically integrated than we are and therefore may be able to manufacture products more economically than we can. In addition, some of our competitors have greater financial, technical, research and technology and marketing resources than we do. Furthermore, some of our competitors are fully or partially state-owned and could have broader goals than maximizing profits, such as investing in the economies of their respective countries and providing local employment and therefore may continue to provide capacity and products even at unprofitable price points creating downward pricing pressure on our products. As the markets for our products expand, we expect that existing competitors may commit more resources to the markets in which we operate, further enhancing competition. All of the above could hinder our ability to compete effectively in the markets in which we operate in the future and our competitive position and results of operations may suffer as a result. For example, our export business in Europe faces competitive pressures from export businesses in North America due to the abundance and use of low-cost ethane in North America. These cost advantages are particularly significant when oil prices are high, as has sometimes been the case in recent years.

We are highly regulated and may incur significant costs, including additional capital expenditures, to maintain compliance with, or address liabilities under, safety, health and environmental laws and regulations.

We are highly regulated in all of the jurisdictions in which we operate. Safety, health and environmental ("**SHE**") laws and regulations govern our facilities and our operations, including with respect to (i) the storage, handling, treatment, transportation and disposal of hazardous substances and wastes; (ii) water discharges; (iii) air emissions; (iv) human health and safety; (v) the cleanup of contaminated sites; (vi) the registration, analysis and classification of chemicals; and (vii) the sale and use and, increasingly, end-of-life waste management practices of the products we manufacture. Many of our operations require permits and controls to monitor or prevent, or otherwise impose requirements relating to, pollution and these permits are subject to modification, renewal and revocation by issuing authorities. Given the nature of our business, violations of these or other SHE requirements may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, cleanup costs, claims for personal injury or property damages, the installation of costly pollution control equipment, or restrictions on, or the suspension of, our operating activities. Similarly, if environmental agencies become more active in the future, or seek to enforce regulations more stringently, we may see an increase in the number or amount of such fines and penalties, which may have an adverse effect on our results of operations.

We have incurred, and expect to continue to incur, substantial ongoing capital and operating expenditures in connection with compliance with current and future SHE laws, regulations and permitting requirements, or the more stringent enforcement of such requirements. As part of the exchange of information carried out in the framework of the Industrial Emissions Directive ("**IED**"), the European Union has issued Best Available Techniques ("**BAT**") Reference Documents (the so-called "**BREFs**"). The purpose of these documents is to provide limits for substances emitted which will have the effect of being "legal limits". In particular, pursuant to the BREF Document for the Production of Chlor-Alkali, all European mercury-based chlor-alkali production facilities were required to cease operations by the end of 2017. Other BREFs, such as the anticipated updates to the Large Volume Organic Chemical Industry BREF, are also expected to impact our EDC production, although these have not been issued yet. Such measures could result in increased costs to implement and operate our facilities, although the extent of any such costs, and the time period to incur them, cannot be estimated at this time.

Our operations result in the emission of greenhouse gases, such as carbon dioxide and methane, and are regulated under the EU ETS. The EU ETS is anticipated to become progressively more stringent over time, including by reducing the number of allowances to emit GHGs that EU member states will allocate without charge to industrial facilities. Maintaining compliance with increasingly stringent emissions reductions measures under the EU ETS involves ongoing operating expenditures for us and may, in the future, require capital expenditures. In addition, a number of further legislative and regulatory measures to address greenhouse gas emissions, including the Kyoto Protocol and the international accord to reduce greenhouse gas emissions reached at the December 2015 United Nations conference on climate change in Paris, are in various phases of discussion or implementation. Such measures could result in increased costs for us to (i) operate and maintain our facilities; (ii) install new emission controls; (iii) purchase or otherwise obtain allowances to emit carbon dioxide or other greenhouse gases; and (iv) monitor and manage our greenhouse gas emissions. In addition, increasingly stringent emissions reduction requirements in the EU ETS could indirectly drive up our production costs by driving up energy prices and costs.

Many of our sites have an extended history of industrial chemical processing, storage and related activities. We are responsible for waste management and any contamination at our sites and may be required in the future to investigate and remediate contamination at these sites. We also could be responsible for investigating and cleaning up contamination at off-site locations where we have sent our waste for disposal or for treatment of its hazardous properties regardless of whether we were at fault with respect to such contamination. In connection with contaminated properties, as well as our operations generally, we also could be subject to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from hazardous substance contamination or exposure caused by our operations, facilities or products. Costs to address contamination or exposure-related liabilities could be significant. Our insurance may not be sufficient to cover, or may be subject to significant limitations with respect to, these types of claims.

The discovery of previously unknown contamination, or the imposition of new or increased obligations to investigate or remediate known or later-discovered contamination at our facilities, could result in substantial unanticipated costs. We could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if we fail to accurately predict the amount or timing of such costs, the related impact on our business, financial condition or results of operations in any period in which such costs need to be incurred could be material.

Existing and proposed regulations to address climate change by limiting greenhouse gas emissions may cause us to incur significant additional operating and capital expenses.

Our operations result in emissions of greenhouse gases ("**GHGs**"), such as carbon dioxide and methane. Growing concern about the sources and impacts of global climate change has led to a number of regional, national and supranational legislative and administrative measures, both proposed and enacted, to monitor, regulate and limit carbon dioxide and other GHG emissions. In the EU, our emissions are regulated under the European Union Emissions Trading System ("**EU ETS**"), an EU-wide trading system for industrial GHG emissions. The EU ETS is expected to continue to become progressively more stringent over time, including by reducing the number of allowances to emit GHGs, including those that EU member states will allocate without charge to industrial facilities. Such measures could result in increased costs for us to: (i) operate and maintain our facilities; (ii) install new emission controls; (iii) purchase or otherwise obtain allowances to emit GHGs; and (iv) administer and manage our GHG emissions program.

At the international level, many nations have agreed to limit emissions of GHGs pursuant to the United Nations Framework Convention on Climate Change, also known as the "Kyoto Protocol." Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of oil, natural gas, and refined petroleum products, are GHGs addressed by the Kyoto Protocol. Although the United States is not participating in the Kyoto Protocol at this time, a number of EU nations are signatories. Furthermore, in December 2009, 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce GHG emissions. As a result of commitments made at the UN climate conference in Durban, South Africa in December 2011, certain members of the international community negotiated a treaty at the December 2015 Conference of Parties in Paris. This Paris Agreement, which entered into force in November 2016, will require developed countries to set targets for emissions reductions once the Agreement is adopted by those individual countries within their respective national or federal law. Additional measures addressing GHG emissions may also be implemented, including, for example, the EU's proposal to consider raising its commitment to reduce carbon emissions by 2020 from a 20% to a 30% reduction. Whether or not these, or different, regulations controlling or limiting GHG emissions could be enacted in the future cannot be predicted at this time, but any such requirements could have a material adverse impact on our business, financial condition or results of operations, including by reducing demand for our products.

Our businesses could be adversely affected by regulations applicable to our products, negative public perceptions of our products or the substitution of other products for our products.

We use and manufacture hazardous chemicals that are subject to regulation by the EU and by many national, provincial and local governmental authorities in the countries in which we operate. In order to obtain regulatory approval of certain new products and production processes, we must, among other things, demonstrate to the relevant authorities that the product is safe for its intended uses and that we are capable of manufacturing the product in accordance with applicable regulations. The process of seeking approvals can be time-consuming and subject to unanticipated and significant delays. Approvals may not be granted to us on a timely basis, or at all. Any delay in obtaining, or any failure to obtain or maintain, these approvals would adversely affect our ability to introduce new products, to continue distributing existing products and to generate revenue from those products, which could have a material adverse effect on our business and prospects. New laws and regulations may be introduced in the future that could result in additional compliance costs, confiscation, recall or monetary fines, any of which could prevent or inhibit the development, distribution and sale of our products.

PVC, one of our main products, has attracted significant attention from environmental advocacy groups and government regulators, and some EU member states and the European Parliament have sought to more aggressively regulate its production, use, marketing, distribution, recycling and disposal. We continue to monitor PVC-related developments and participate in industry discussions and responses. Because many regulations relating to PVC affect our operations and the type of PVC products we produce, restrictions on PVC manufacture, use or disposal or a total ban on PVC could have a material adverse effect on our business, financial condition, results of operations and cash flows. Such regulations could also adversely affect perceptions of and demand for our products even if they do not impact the manufacture of our products directly. In addition, factors such as environmental and health concerns relating to the consumer use of PVC or chlorine-containing products (including the use of mercury to produce chlorine) have in the past caused, and could in the future cause, a shift in market demand toward alternative polymer-based products and certain natural products such as timber, metals and natural fibers. We may find that our competitors who specialize in such alternative products are in a more advantageous commercial position if further consumer substitutions should take place. Should substantial customer substitution occur, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, our products (as well as our raw materials) are subject to extensive environmental and industrial hygiene regulations governing the registration and safety analyses of the substances contained in them. In connection with the EU's Registration, Evaluation and Authorization of Chemicals Regulation ("**REACH Regulation**"), and the new EU Classification, Labeling and Packaging Regulation, any key raw material, chemical or substance, including our products, could be reclassified as having a toxicological or health-related impact on the environment, on users of our products, or on our employees. For example, under the REACH Regulation, VCM and EDC are both designated as Substances of Very High Concern. As a result, there are additional risks, costs and requirements associated with the processing, distribution, sale and transport of VCM and EDC.

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

Our operations are subject to hazards associated with chemical manufacturing and the related use, storage, transportation and disposal of raw materials, products and wastes. These hazards include explosions, fires, severe weather (including but not limited to floods in low-lying areas, hurricanes or other adverse weather that may be increasing as a result of climate change) and natural disasters, accidents, mechanical failures, discharges or releases of toxic or hazardous substances or gases, transportation interruptions, human error, pipeline leaks and ruptures and terrorist activities. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment as well as environmental damage, and may result in suspension of operations and the imposition of civil and criminal liabilities, including penalties and damage awards. While we believe our insurance policies are in accordance with customary industry practices, such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We may incur losses beyond the limits, or outside the coverage, of our insurance policies, including liabilities for violations of environmental requirements and contamination. In addition, from time to time, various types of insurance for companies in our industries have not been available on commercially acceptable terms or, in some cases, have not been available at all. In the future, we may not be able to obtain coverage at current levels, and our premiums may increase significantly on coverage that we maintain. Costs associated with unanticipated events in excess of our insurance coverage could have a material adverse effect on our business, competitive or financial position or our ongoing results of operations.

Events and conditions around the world, including war and other military actions, such as the invasion of Ukraine, inflation, higher energy prices, higher interest rates and other general macroeconomic or geopolitical concerns may impact the demand for our products and have a negative effect on our operations.

We may be directly or indirectly impacted by political instability and civil unrest, terrorist attacks, war, including the invasion of Ukraine, and other military actions and other public health and safety concerns, as well as their resulting impacts, including supply chain and operational disruptions, increased energy prices, inflation, higher interest rates, the imposition of international sanctions and volatility in the demand for our products. In addition to general macroeconomic concerns, such events may also lead to government restrictions on travel, trade and cross-border transactions. Such events and the resulting impacts could restrict our operations, lead to reductions in our profitability, and have a material adverse effect on our business, competitive or financial position or our ongoing results of operations.

Our business and results of operations may be adversely affected by an outbreak of COVID-19 or other similar outbreaks.

Health concerns arising from the outbreak of a health epidemic or pandemic, including COVID-19, may have an adverse effect on our business. Our business could be materially and adversely affected by the outbreak of a widespread health epidemic or pandemic, particularly if located in regions from which we derive a significant amount of revenue or profit, or where we have production sites. For example, our sales teams may be restricted from traveling, our projects may be delayed, our manufacturing sites and other workplaces may experience disruptions or work stoppages, and our customers may be less inclined or unable to purchase our products due to similar disruptions in their operations or restrictions under which they may be operating.

The impact of another significant outbreak of COVID-19, variant strains of COVID-19 or any future health epidemic or pandemic, including any measures intended to combat such outbreak or negative economic conditions or recession resulting from such outbreak , are uncertain and cannot be predicted. Any of the foregoing could impact us and the demand for certain of our products, which could have material and adverse impacts on our current and future business, results of operations, cash flows, and financial condition.

Our growth strategy at our business depends in part on the ability of our businesses to take advantage of growing demand for our products in emerging markets. We may be unable to execute this strategy if emerging markets do not grow as expected or if regional producers in such markets are able to satisfy the increased demand.

We are targeting emerging economies where the demand for PVC is high and PVC capacities are not always available locally, such as India and Turkey. With respect to our global long-term development, we are targeting emerging markets such as India and Southeast Asia where PVC capacities are in demand and therefore could offer opportunities in the future. The failure of these markets to grow as expected could negatively affect our long term development plan.

Even if the economies of emerging markets continue to grow as we expect, we may be unable to penetrate these markets. If regional producers are able to meet the growing demand and/or compete directly against us on the basis of our core competitive strengths described elsewhere in this Annual Report, the resulting pressure on our margins would adversely affect our business, financial condition and results of operations.

Our insurance coverage may not be adequate to cover all the risks we may face and if we were no longer covered by our existing insurance, it may be difficult to obtain replacement insurance on acceptable terms or at all.

Our plant, equipment and other assets are insured for certain property damage and business interruption risks, and our business as a whole is insured for certain public, environmental and products liability risks under insurance policies. We believe these insurance policies are generally in accordance with customary industry practices, including deductibles and limits of cover, but we cannot be, or have determined that it is not cost effective to be, fully insured against all potential hazards incident to our business, including losses resulting from war risks or terrorist acts, or all potential losses, including damage to our reputation. In particular, insurance coverage relating to environmental matters can be subject to significant limitations and exclusions. If we were to incur a significant liability for which we are not fully insured, it could have a material adverse effect on our business, financial condition, results of operations and cash flows. Although we attempt to keep insurance premiums low by demonstrating high safety track records and also opting for high excesses or deductibles, premiums and deductibles for certain insurance policies can increase substantially as a result of market conditions and, in some instances, certain insurances may become unavailable at a reasonable cost or available only for certain risks. We can provide no assurances that we would be able to obtain replacement insurance on acceptable terms or at all.

Disruptions in production at our or third parties' manufacturing facilities, including those of our suppliers, may have a material adverse effect on our business, financial condition, and results of operations.

Manufacturing facilities in our industry are subject to planned and unplanned production shutdowns, turnarounds, outages and other disruptions. Any serious disruption at any of our facilities could impair our ability to use our facilities and have a material adverse impact on our revenues and increase costs and expenses. Alternative facilities with sufficient capacity may not be available, may cost substantially more, or may take a significant time to increase production or qualify with our customers, any of which could have a material adverse effect on our business, financial condition, and results of operations. Long-term production disruptions may cause customers to seek alternative supply which could further adversely affect profitability.

Unplanned production disruptions have occurred, and may in the future occur, for external reasons including natural disasters, weather, disease, strikes, transportation interruption, government regulation, political unrest or terrorism, or internal reasons, such as fire, unplanned maintenance or other manufacturing problems. Any such production disruption could have a material adverse effect on our business, financial condition, and results of operations.

In addition, shutdowns at our customers' facilities may have a material adverse effect on our business, financial condition, and results of operations. In addition, we rely on a number of vendors, suppliers, and, in some cases, sole-source suppliers, service providers, toll manufacturers, and collaborations with other industry participants to provide chemicals, feedstocks and other raw materials, along with energy sources and, in certain cases, facilities that are needed to operate our business. If the business of these third parties is disrupted, some of these companies could be forced to reduce their output, shut down their operations, or file for bankruptcy protection. If this were to occur, it could adversely affect their ability to provide us with the raw materials, energy sources, or facilities that we need, which could have a material adverse effect on our business, financial condition, and results of operations. Moreover, it could be difficult to find replacements for certain of our business partners without incurring significant delays or cost increases. For example, we have experienced business interruptions due to production disruptions related to our historically single-sourced ethylene supply at each of our Fos and Lavera plants.

While we maintain business recovery plans that are intended to allow us to recover from natural disasters or other events that could disrupt our business, we cannot provide assurances that our insurance and recovery plans would fully protect us from the effects of all such disasters or from events that might increase in frequency or intensity due to climate change. The materialization of any of these risks could have a material adverse effect on our business, financial condition, and results of operations.

Volatility in the price and supply of energy may have a material adverse effect on our business, financial condition, and results of operations.

We consume large quantities of electricity for use in our manufacturing facilities. Our profitability depends on our ability to pass through increases in energy costs to customers at the time such increased costs could arise. We may not fully recoup increased costs, including as a result of inflation, from our customers or may do so only after a certain time lag. The failure to pass on higher energy costs to our customers or to do so in an untimely manner could have a material adverse effect on our business, financial condition, and results of operations.

The degree of government involvement in energy markets through measures such as energy and carbon taxation policies and grid fee exemption schemes can have an impact on energy prices. The risk of volatile energy prices may also further increase as a result of changes in the E.U. emission trading system price or national carbon policy interventions. Energy cost increases as a result of government involvement in ways that we are not able to pass through to customers could have a material adverse effect on our business, financial condition, and results of operations.

A common feature of the production of many essential chemicals is the simultaneous production of two or more substances in one production step, called joint products, exposing us to the risk that quantities of joint products can be adjusted only to a limited extent. Any production shortfalls of products further up in the production chain may significantly impact the availability of a large number of products further down the production chain and, vice versa, any increase in production of one product could lead to oversupply of another product.

A common feature of the production of many essential chemicals is the simultaneous production of two or more substances in one production step, called joint products. We often use an integrated production structure where we either sell products resulting from one production step or use them in the production of further individual products. Consequently, a decrease in the production of one of the products at the beginning of the production chain, whether due to supply shortages, technical problems, labor strikes, or other factors, may significantly impact the availability of a large number of products further down the production chain. Even if such shortages may be addressed by the supply of products from other plant sites, there is no guarantee that such fallback capacities will be available. Conversely, an increase in the production of one co-produced product, for example, due to increased customer demand for such product could lead to oversupply of another product, causing downward pressure on prices. We aim to sell all resulting products into the market. In some cases, however, an imbalance in demand across our co-produced chemistries could require us to dispose of one or more such joint products thereby incurring additional production costs.

For example, in our Chlor-alkali production, chlorine and caustic soda are produced simultaneously through an electrolysis manufacturing process at a fixed ratio. Chlorine is typically transported via pipelines to downstream producers to manufacture a wide range of products such as MDI, TDI, PVC, and epoxy resins. An increase in chlorine demand could lead to oversupply of caustic soda. If sufficient demand for caustic soda does not exist we may be unable to sell caustic soda at favorable prices, or at all, resulting in increased costs of storage.

The materialization of any of these risks could have a material adverse effect on our business, financial condition, and results of operations.

We make capital expenditures to maintain the operating capacity of our manufacturing facilities, which requires a significant amount of cash.

We must make capital expenditures to maintain, over the long-term, the operating capacity of our manufacturing facilities and to meet customer product demands. Our maintenance capital expenditures have historically ranged from 3% to 6% of our revenues. These maintenance capital expenditures include capital expenditures associated with regular safety inspections and compliance with safety guidelines, among others. These expenditures could increase as a result of changes in: the cost of labor and materials, the ability to timely complete maintenance, customer requirements, changes to our facilities, governmental regulations, and competitive standards. Consequently, maintenance capital expenditures are anticipated to require a significant amount of cash and could represent a significant expense for us in the future. Any failure to properly anticipate maintenance capital expenditure needs or prolonged downtime at our facilities as a result of maintenance activities could have a negative impact on our business and results of operations. In addition to maintenance capital expenditures, we will need to make, from time to time, capital expenditures to remain in compliance with applicable regulations. Such capital expenditures may be material and could exceed the amounts we have budgeted for them.

Investments in production facilities expose us to the risk of misallocating resources and any delay or interruption in making these investments may result in the failure to meet customer demand, which may have a material adverse effect on our business, financial condition, and results of operations.

We may make considerable investments in additional production capacity in order to implement our growth strategy. Production facilities in the essential chemicals industry generally require high initial capital expenditures and continuous investment in modernization and expansion measures. Any delay or interruption to the construction of planned additional capacity could have an effect on this additional capacity coming available in order to meet customer requirements. This could result in customers sourcing products from our competitors which could have a material adverse effect on our business, financial condition, and results of operations.

We may require additional financial resources to fund our planned investments in the medium to long term, which may be difficult to obtain or result in higher costs and additional covenants. For instance, the availability and cost of financing is strongly influenced by the macroeconomic environment and other factors influencing the capital markets, including rising interest rates. Moreover, we may not be able to find the required management expertise or sufficient highly skilled personnel to execute our growth strategy, including these investments. Furthermore, it takes time for newly constructed facilities to become fully operational, as supply chains need to be established, logistics need to be built up, potential customers need to audit production quality and customer relationships need to be established. As new facilities add significant fixed costs to our cost base, they may reduce our margin and profitability to the extent such facilities are unable to reach and maintain a sufficiently high rate of utilization.

While we typically align large capital expenditures related to capacity increases with concurrent investments by customers in their own production capacity or to otherwise address expected market growth, our assumptions underlying future demand may prove inaccurate. Any failure to adequately forecast demand in relation to capital expenditures could have a negative impact on our profitability.

Any of these risks, if they materialize, could have a material adverse effect on our business, financial condition, and results of operations.

Violations of anti-trust laws, anti-corruption laws, export controls and international sanctions laws or data privacy laws of the European Union and various international jurisdictions may have a material adverse effect on our business, financial condition, and results of operations.

Our global operations require us to comply with international and national laws and regulations regarding anti-bribery and anti-corruption, imposed by governments around the world with jurisdiction over our operations, including the U.S. Foreign Corrupt Practices Act ("**FCPA**") and the U.K. Bribery Act 2010 ("**UK Bribery Act**"), as well as the laws of the countries where we do business. These laws and regulations may restrict our operations, trade practices, investment decisions, and partnering activities. The FCPA and the UK Bribery Act and similar applicable laws prohibit us and our officers, directors, employees and business partners acting on our behalf, including agents ("**representatives**"), from corruptly offering, promising, authorizing, or providing anything of value for the purposes of corruptly influencing official decisions, obtaining or retaining business, or otherwise obtaining favorable treatment. We also are subject to the jurisdiction of various governments and regulatory agencies around the world, which may bring our personnel and representatives into contact with foreign government officials responsible for issuing or renewing permits, licenses, or approvals or for enforcing other governmental regulations.

Foreign companies, including some that may compete with us, may not be subject to the prohibitions listed above, and therefore may have a competitive advantage over us. We maintain policies and procedures reasonably designed to comply with applicable anti-corruption laws and regulations. However, there can be no guarantee that our policies and procedures will effectively prevent violations by our employees or representatives for which we may be held responsible. Our failure to successfully comply with these laws and regulations may expose us to reputational harm as well as significant sanctions, including criminal fines, imprisonment, civil penalties, disgorgement of profits, injunctions, and debarment from government contracts, as well as other remedial measures. Investigations of alleged violations can be expensive and disruptive.

Export control laws and sanctions regimes imposed by governments, including those imposed by the E.U., the U.S. and its Office of Foreign Assets Control, the UK, or other countries or international bodies prohibit us from engaging in trade or financial transactions with certain countries, businesses, organizations and individuals. Our operations in certain countries, the products we handle, and the services we render could bring us within the scope of such export controls and sanctions regimes. The legislation, rules, and regulations which establish export controls and sanctions regimes are often broad in scope, and in recent years, governments have increased and strengthened such regimes. A violation of European, U.S., UK or international sanctions or export control laws may result in fines or other penalties that may have a negative impact on our reputation and the ability to conduct business in certain jurisdictions or access the U.S. or international capital markets. Any export controls and sanctions regime may, even without it being violated directly, have a material adverse effect on our business, financial condition, and results of operations.

We are also subject to complex and evolving laws and regulations of the E.U. and other jurisdictions regarding the collection, retention, sharing, and protection of data from and concerning our customers, employees, and third parties. The interpretation and application of consumer and data protection laws in the United States, Europe, and elsewhere are often uncertain, contradictory, and in flux. For example, the European Union's General Data Protection Regulation ("**GDPR**"), which became effective in May 2018, created a range of new compliance obligations and increased financial penalties for noncompliance. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices, which could result in government-imposed fines or orders requiring that we change our data practices. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner that may have a material adverse effect on our business, financial condition, and results of operations.

We make use of innovative products and services that give rise to increased risk of non-compliance under the legal data protection frameworks. We are subject to E.U. data protection laws in certain jurisdiction but may process (or have third party service providers process) personal data in other jurisdictions that do not offer a similar level of data protection, which may lead to an increased risk of non-compliance with E.U. data protection legislation. Security breaches may lead to unlawful use of personal data for which we are responsible, as well as notification obligations towards data protection authorities or individuals, damage to our reputation and claims from individuals. Any failure to comply with privacy laws and regulations or data protection policies may lead to fines and may undermine our reputation and may have a material adverse effect on our business, financial condition, and results of operations.

We have implemented a program to address compliance with anti-trust laws, anti-corruption laws, export controls, and international sanctions laws and data privacy laws, including raising awareness via training and communication campaigns. However, our compliance program and internal control policies and procedures have not always and, in the future, may not always protect us from reckless or negligent acts committed by our employees or agents. In addition to the risks set out above, violation of anti-trust laws, anti-corruption laws, export controls and international sanctions laws, and data privacy laws could result in a default under our existing or future debt instruments, which may cause cross-default or cross-acceleration, causing debt to become due and payable. Our assets and cash flows may not be sufficient to fully repay such debt in all circumstances.

Our financial results may be affected by tariffs or border adjustment taxes or other adverse trade restrictions.

We cannot predict whether the countries in which we operate, or may operate in the future, could become subject to new or additional trade restrictions imposed by the United States or other governments, including the likelihood, type, or effect of any such restrictions. Trade restrictions, including increased customs restrictions and tariffs or quotas or the imposition of additional duties and other charges on imports and exports, as well as labor strikes, work stoppages or boycotts, could increase our costs or impede the timely delivery of our products and have an adverse effect on our business, financial condition, and results of operations.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and internal codes of conduct.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with applicable regulations, provide accurate information to E.U. or other regulators, comply with manufacturing standards we have established, comply with fraud and abuse laws and regulations in the European Union and other countries or jurisdictions, report financial information or data accurately, or disclose unauthorized activities to us. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations, including applicable environmental laws and regulations. If any such actions are instituted against us and we are not successful in defending ourselves or asserting our rights, those actions could have a material adverse effect on our business, financial condition, and results of operations.

We are exposed to currency fluctuation risks in several countries that could adversely affect our profitability.

Although we report our results in Euro, we conduct a portion of our business in countries that use currencies other than the Euro, and we are subject to risks associated with currency fluctuations.

Our results of operations may be affected by both the transaction effects and the translation effects of foreign currency exchange rate fluctuations. We are exposed to transaction effects when one of our subsidiaries incurs costs or earns revenue in a currency different from its functional currency. Fluctuations in exchange rates may also affect the relative competitive position of our manufacturing facilities, as well as our ability to market our products successfully in other markets. We are exposed to currency fluctuation when we convert currencies that we may receive for our products into currencies required to pay our debt, or into currencies in which we purchase raw materials, meet our fixed costs or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. Although a portion of our sales are invoiced in currencies other than the Euro, including U.S. dollars and British pounds, our consolidated revenues are reported in Euro. Therefore, our financial results in any given period may be materially affected by fluctuations in the value of the Euro relative to other relevant currencies. If the value of the Euro declines against currencies in which our obligations are denominated or increases against currencies in which our revenues are denominated, our results of operations and financial condition could be materially affected.

We may be unable to implement our business strategies and operational initiatives.

Our future financial performance and success largely depend on our ability to implement our business strategies and operational initiatives successfully. We cannot assure you that we will be able to successfully implement the business strategies and operational initiatives described in this Annual Report or those to be developed by our businesses, or that implementing these strategies will sustain or improve and not harm our results of operations. In particular, we may not be able to increase our manufacturing efficiency or asset utilization in order to remain a low-cost and efficient producer of our products. Our results of operations are materially influenced by the degree to which we utilize our assets in order to achieve maximum production volumes, and the number and length of turnarounds (scheduled outages of a unit in order to perform necessary inspections, tests to comply with industry regulations and any maintenance activities that may be necessary) and unplanned outages have had, and may in the future have, an impact on our operating results, even if such outages are covered by insurance.

Our business strategies are based on our assumptions about future demand for our products and the new products and applications we are developing and on our continuing ability to produce our products profitably. Each of these factors depends, among other things, on our ability to divest businesses or discontinue product lines on favorable terms and with minimal disruptions, finance our operations and product development activities, maintain high quality and efficient manufacturing operations, relocate and close certain manufacturing facilities with minimal disruption to our operations, respond to competitive and regulatory changes, access quality raw materials in a cost-effective and timely manner, and retain and attract highly-skilled technical, managerial, marketing and finance personnel.

We may be unable to implement on a timely basis our business strategies, including our operational initiatives, in accordance with our plans or at all. In the process of implementing our business strategies, we may experience severe business disruption and loss of key personnel. In addition, the costs involved in implementing our strategies may be significantly greater than we currently anticipate.

Any failure to develop, revise or implement our business strategies in a timely and effective manner may adversely affect our ability to service our debt and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are subject to the risk of loss resulting from nonpayment or nonperformance by our customers.

Our credit procedures and policies may not be adequate to minimize or mitigate customer credit risk. Our customers may experience financial difficulties, including bankruptcies, restructurings and liquidations. These and other financial problems that may be experienced by our customers, as well as potential financial weakness in our industry, may increase our risk in extending trade credit to customers. A significant adverse change in a customer relationship or in a customer’s financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer’s receivables or limit our ability to collect accounts receivable from that customer, all of which could have a material adverse effect on our business, results of operations, financial condition and liquidity.

Our success depends on the continued service of key personnel and our ability to attract highly-skilled individuals.

Our success depends in significant part upon our ability to attract and retain qualified and committed employees, including in particular the continued service of senior management, including the executive officers at each of our business units, who have experiences in our industry and in operating a company of our size and complexity. There may be a limited number of persons with the requisite experience and skills to serve in such positions, and we may not be able to locate, employ or retain them on acceptable terms.

In addition, our future growth and success also depend on our ability to attract, train, retain and motivate skilled managerial, sales, administration, operating and technical personnel, including R&D and engineering specialists. In times of increased demand, producers may attempt to increase capacity, which can result in a competitive market for the limited supply of highly-skilled professionals. If we experience a shortage of adequately skilled candidates and are unable to hire or retain suitable employees, we may be unable to maintain our current operating levels or need to increase wages to remain competitive with other industry employers, which could increase our costs substantially. Additionally, the loss of one or more of our key management or operating personnel could result in a loss of institutional knowledge. Such loss, or the failure to attract and retain additional key personnel, or such former personnel moving to one of our competitors, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

Because many of our products, including PVC, caustic soda and chlorine and its derivatives provide critical performance attributes to our customers' applications and products, the sale of these products involves a risk of product liability claims against us, including claims arising out of the use of, or exposure to, our products. Product liability may arise from out-of-specification products, inappropriate use, previously unidentified effects, manufacturing errors resulting in defective products, product contamination, altered product quality or inappropriate safety and health recommendations. While most of our products have some hazardous properties, some of them, such as VCM, require specialized handling procedures due to their acute and chronic toxicity. Furthermore, our products have widespread end-uses in a variety of consumer industries, including food packaging and medical applications. A successful product liability claim or series of claims arising out of these various uses against us could expose us to liability for injury or damage as well as lead to a recall of our products; losses exceeding our insurance coverage for payments for which we are not indemnified or have not otherwise provided could have a material adverse effect on our business, financial condition, results of operations and cash flows. In particular, we could be required to increase our indebtedness or divert resources from other investments in our business in order to discharge any such claims.

Significant changes in pension fund investment performance or assumptions relating to pension costs may adversely affect the valuation of pension obligations, the funded status of pension plans, and our pension cost.

Our funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefit obligations. Our pension cost is materially affected by the discount rate used to measure pension obligations, the level of plan assets available to fund those obligations at the measurement date and the expected long-term rate of return on plan assets. Significant changes in investment performance or a change in the portfolio mix of invested assets may result in corresponding increases and decreases in the valuation of plan assets, particularly equity securities, or in a change of the expected rate of return on plan assets. Any change in key actuarial assumptions, such as the discount rate, would impact the valuation of pension obligations, affecting the reported funded status of our pension plans as well as the net periodic pension cost in the following fiscal years. Any declines in the fair values of the pension plans' assets could require additional payments by us in order to maintain specified funding levels. Any decrease in interest rates will result in an increase of pension liabilities. Our pension plans are subject to legislative and regulatory requirements of applicable jurisdictions.

We conduct our business in multiple jurisdictions and are exposed to the tax laws of such jurisdictions, including risks in connection with challenges to our tax position. In addition, we are exposed to a number of different fiscal uncertainties which may have a significant impact on local tax results.

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to intercompany pricing laws, including those relating to the flow of funds between our companies pursuant to, for example, purchase agreements, licensing agreements, or other arrangements. Given that tax laws and regulations are subject to frequent change, including changes following from implementation of the anti-Base Erosion and Profit Shifting ("**BEPS**") project of the Organization for Economic Co-operation and Development ("**OECD**"), and from the implementation of the E.U. Anti-Tax Avoidance Directives, and that the meaning of these tax laws and regulations may be ambiguous, our tax positions are sometimes based on our interpretations of such laws and regulations. We cannot guarantee that such interpretations will not be questioned by the relevant authorities.

In particular, international and European tax laws and regulations are extremely complex and are subject to varying interpretations. In this respect, the current incorporation of the OECD principles related to BEPS 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 and ratified by France on September 26, 2018, and Luxembourg on March 7, 2019 may increase the administrative efforts within our business and impact existing structures.

Furthermore, as of October 8, 2021, 136 countries and jurisdictions (including France and Luxembourg) have joined a new OECD two-pillar plan to reform international taxation rules: (i) Pillar One, which aims at re-allocating taxing rights with respect to multinational enterprises (MNEs) tax results to the markets where they have business activities and earn profits, regardless of whether such MNEs have a physical presence and (ii) Pillar Two, which seeks to put a floor on competition over corporate income tax, through the introduction of a 15% global minimum corporate tax rate. Following the adoption of the OECD two-pillar reform, the French government has stated that the French provisions on the taxation of numerical businesses would be maintained, at least until 2023.

On May 2021, the European Commission has also issued a statement indicating that it will propose, by 2023 a new framework for business taxation (Business in Europe: Framework for Income Taxation: "**BEFIT**") aiming at: (i) reducing administrative burdens, (ii) removing tax obstacles and (iii) creating a more business-friendly environment within the European single market. BEFIT will replace the pending Common Consolidated Corporate Tax Base proposal, which will be withdrawn. The BEFIT will provide a single corporate tax rulebook for the EU, providing for fairer allocation of taxing rights between Member States. These regulations could impact our tax position in the future.

The tax authorities in any applicable jurisdiction may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including the tax treatment or characterization of our indebtedness. We can also not guarantee that any advance pricing agreements and advance tax rulings concluded with local authorities will, upon expiry, be extended on the same terms. Further, the authorities may not agree with the tax advice that we receive from our outside tax advisors. If any applicable tax authorities were to successfully challenge the tax treatment or characterization of any of our transactions, it could result in the disallowance of deductions, the imposition of withholding taxes, the reallocation of income or other consequences that could have a material adverse effect on our business, financial condition, and results of operations.

In addition, in some of the jurisdictions in which we operate, particularly in emerging markets, the legal systems are in varying stages of development. This creates an uncertain business and investment environment and related additional risks. More generally, any failure to comply with the tax laws or regulations applicable to us may result in reassessments, late payment interest, fines, and penalties. In addition, as a global business, our effective average tax rate from period to period will be affected by many factors, including changes in tax legislation, global mix of earnings, the tax characteristics of our income, the timing and recognition of goodwill impairments, acquisitions and dispositions, adjustments to our reserves related to uncertain tax positions, and changes in valuation allowances. Any significant increase in our tax burden and any adverse developments in these laws or regulations, or any change in position regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction above may have a material adverse effect on our business, financial condition, and results of operations.

There has, in recent years, been an increased interest by governments, political parties, the media, and the public in the tax affairs of companies. This increased interest may also apply to our tax policy or the tax affairs of our customers. Changes as to what is perceived by governments or by the public to be appropriate, ethical or sustainable behavior in relation to tax may lead to a situation where our tax policy is in line with all applicable tax laws, rules and regulations, but, nevertheless, comes under public scrutiny. These developments may lead to reputational damage and damage to our brand.

The failure of our patents, trademarks and confidentiality agreements to protect our intellectual property could adversely affect our business.

Proprietary protection of our processes, apparatuses and other technology is important to our business, including our manufacturing activities. Our actions to protect our proprietary rights may be insufficient to prevent others from developing similar products to ours. In addition, the laws of many foreign countries do not protect our intellectual property rights to the same extent as the laws of France. Furthermore, any pending patent application filed by us may not result in an issued patent, or if patents are issued to us, such patents may not provide meaningful protection against competitors or against competitive technologies. You should be aware that the expiration of a patent or the failure of our patents to protect our formulations, processes, apparatuses, technology or proprietary know-how could result in intense competition, with consequent erosion of profit margins. In addition, our competitors and any other third parties may obtain patents that restrict or preclude our ability to lawfully manufacture and market our products in a competitive manner, which could materially adversely affect our business, results of operations and financial condition.

We also rely upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. While it is our policy to enter into confidentiality agreements with our employees and third parties to protect our intellectual property, there can be no assurances that:

- our confidentiality agreements will not be breached;
- such agreements will provide meaningful protection for our trade secrets or proprietary know-how; or
- adequate remedies will be available in the event of an unauthorized use or disclosure of these trade secrets and know-how.

In addition, there can be no assurances that others will not obtain knowledge of these trade secrets through independent development or other access by legal means.

Currently, there is no material pending litigation against us regarding any intellectual property claim but we cannot assure you that there will not be future claims. Such claims, regardless of merit, could subject us to costly litigation and divert our technical and management personnel from their regular responsibilities. Furthermore, if such claims are adversely determined against us, we could be forced to suspend the manufacture of products using the contested intellectual property and our business, financial condition and operating results could be adversely affected if any such products are material to our business.

We may also initiate lawsuits to defend the ownership of our inventions and our intellectual property. Like defending against litigation, initiating litigation relating to intellectual property rights is costly and may divert technical and management personnel from their normal responsibilities. Furthermore, we may not prevail in any such litigation or proceeding. A determination in an intellectual property litigation or proceeding that results in a finding of a non-infringement by others to our intellectual property or an invalidation of our patents may result in the use by competitors of our technologies or processes and sale by competitors of products that resemble our products, which may adversely affect our ability to compete as well as create increased supply and corresponding downward pricing pressure.

Failure to keep up with technological innovation may make our products less competitive in the industries in which we operate.

As we compete in a number of industries, and partly with other products and technologies, we are required to be innovative to satisfy our customers' demands.

Our product innovation is focused on the chlorovinyl production chain. Some of our competitors may be more capable of accessing synergies in product and technology development and market activities. Also, some of our competitors, especially global chemical companies operating in our core businesses, may have greater financial and other resources than we do and may increase their competitiveness relative to us by investing more in research and development activities with respect to our key products, which may negatively impact our business. In addition, since innovation is also fostered by the support of external partners, such as universities and other independent institutions, competitors operating in markets with stronger or a larger number of clusters of such institutions and industry players may have an advantage over us.

Product development and engineering require significant investment. We cannot assure you that our product development and engineering efforts will continue to deliver competitive products that will translate into sales to customers. If we fail to keep pace with the evolving technological innovations in our markets, this may have a material adverse impact on our business, financial condition, results of operations and cash flows.

If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

We have designed and continue to design our internal controls with the objective of providing reasonable assurance that (a) our transactions are properly authorized; (b) our assets are safeguarded against unauthorized or improper use; and (c) our transactions are properly recorded and reported, all to permit the preparation of our financial information in conformity with applicable accounting principles. We design our internal controls through the use of internal resources, external consultants and with the assistance of our affiliates.

Any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Any failure to maintain adequate internal controls or to be able to produce accurate financial information on a timely basis could increase our operating costs and materially impair our ability to operate our business.

Destruction, ineffectiveness or obsolescence of our information systems could lead to a disruption in our business.

Our operations rely, to a significant extent, on business-critical applications and information technology ("**IT**") services, and therefore we are subject to the risk that our operations could be disrupted due to the unavailability of such systems. The partial or full physical destruction or unavailability of our information systems could generate a break in our data flow or lead to a system shut-down. If we are unable to ensure that our business-critical applications and IT systems operate with sufficient reliability and availability, our operations could be disrupted, which could have a material adverse effect on our business and reputation.

Additionally, ineffective information systems management, including a failure to ensure that employees are given data access commensurate with their positions, to properly manage the identity of those persons who are given data access, to properly manage program changes, to track asset maintenance and licenses, to prevent or manage security or hacking incidents, to train employees regarding best IT practices and security policies, to harmonize third-party applications with internal platforms or to implement local and international requirements could have a material adverse effect on our business and reputation.

Our business and operations are subject to business interruption risks due to the actions of third parties, which could have a material adverse effect on our business, reputation, financial condition and results of operations.

Due to the nature of our business, we are at risk of business interruption due to the actions of third parties. For example, many of our vendors and subcontractors have operations that are also subject to SHE risks associated with the use of hazardous materials. Any future SHE-related incidents affecting our vendors and subcontractors may result in significant regulatory actions, fines and other penalties, including restrictions, prohibitions or sanctions on their operations, and could impair their ability to perform their contracts with us or could otherwise subject us to liability, all of which could have a material adverse effect on our business, reputation, financial condition and results of operations. In addition, if any facilities experience damage or temporary closures due to any number of hazards, including protests, caused by third parties, our reputation, business and results of operations may be adversely affected.

We are subject to certain risks related to litigation filed by or against us, and adverse results may harm our business.

The risks inherent in our business expose us to the risk of litigation and other claims that may arise in the ordinary course of business and may include personal injury claims, environmental litigation, administrative claims, contractual litigation with customers and suppliers, intellectual property litigation, tax or employment disputes, insurance related lawsuits and product liability claims. The claims could involve complex factual and legal issues that would require significant commitment from management and could result in substantial costs and fees, and we may be unable to accurately estimate the total expense associated with any such claims. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that are subject to third-party patents or other third-party intellectual property rights. Litigation based on environmental matters or human exposure to hazardous substances in the workplace or from our products could result in significant liability for us.

We are a defendant in a breach of contract claim filed before the Commercial Court of Paris in July 2020 involving an electrical incident. The claim alleged damages of approximately €26.2 million. In July 2021, the Commercial Court of Paris ordered the Company to pay for the loss in an amount to be assessed by a financial expert to be appointed by the court. The court appointed financial expert calculated the Company's liability at €15.3 million. We have appealed the decision and asked the Commercial Court to suspend the proceedings pending the decision of the Court of Appeal. We expect that our liability in this matter will be covered by our general liability insurance policy, but there can be no assurances of any outcome or result.

We are also party to a contract dispute relating to assembly work on the electrolysis cells for our Lavera electrolysis conversion project. Certain of the parties to this matter have initiated arbitration proceedings related to the dispute. We entered into a settlement agreement with these parties, pursuant to which such parties have agreed to dismiss the arbitration proceedings. We continue to vigorously defend this matter with respect to the remaining claims, and there can be no assurances of any outcome or result. We estimate that the Company's total exposure related to these claims, including the settlement amounts, is less than €7.5 million.

Adverse outcomes to these matters could have a material adverse effect on our business. Any future material litigation, arbitration, administrative or other proceedings could also have adverse reputational and financial consequences for us, and we may not have established adequate provisions for any potential losses associated with such litigation or other proceedings not otherwise covered by insurance, which could have a material adverse effect on our business, financial condition or results of operations.

We are subject to cyber security risks. A cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss.

Our industry has become increasingly dependent on digital technologies to conduct certain processing activities. For example, we depend on digital technologies to perform many of our services and to process and record financial and operating data. At the same time, cyber incidents, including deliberate attacks, have increased. Our technologies, systems and networks, and those of our vendors, suppliers and other business partners, may become the target of cyberattacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. Our systems for protecting against cyber security risks may not be sufficient. As cyber incidents continue to evolve, we will likely be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents.

Risks Related to Our Structure

Not all of our subsidiaries guarantee our obligations under the Notes, and the Notes are structurally subordinated to all indebtedness of our non-Guarantor subsidiaries.

The Notes are guaranteed on a senior basis by the Guarantors. Our subsidiaries, other than the Guarantors, have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment.

The Notes are structurally subordinated to all indebtedness and other obligations of any non-Guarantor subsidiary, even if such obligations do not constitute senior indebtedness, such that, in the event of insolvency, liquidation, reorganization, dissolution or other winding up of any non-Guarantor subsidiary, all of such subsidiary's creditors (including trade creditors and preferred stockholders, if any) would be entitled to payment in full out of such subsidiary's assets before we would be entitled to any payment. While our non-Guarantor subsidiaries had an immaterial amount of indebtedness outstanding as of December 31, 2022, such entities could incur additional debt in the future, which could be material and all of which would be structurally senior to the Notes.

The Issuer is controlled by Apollo, whose interests may conflict with the interests of the holders of the Notes.

The Apollo Funds, through its indirect equity interests in the Issuer, control the Issuer. As a consequence, Apollo has, directly or indirectly, the power to affect, among other things, our legal structure and our governance, as well as the ability to elect and change our management and to approve other changes to our policies and operations. The interests of Apollo could conflict with the interests of the holders of the Notes. Apollo may also have an interest in pursuing divestitures, financings or other transactions that may be detrimental to holders of the Notes. Apollo has no contractual obligation to fund our business if we require additional funding. Additionally, the Indenture permits us to pay advisory fees, dividends or make other restricted payments under certain circumstances.

In addition, Apollo Funds may, in the future, own businesses that compete with our businesses or do business with us. Apollo and its affiliates may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. You should consider that the interests of the Apollo Funds may differ from yours in material respects. See "*Principal Shareholder*."

The Issuer operates primarily as a holding company and has no revenue-generating operations of its own.

The Issuer is a holding company and does not engage in any activities other than those in relation to its corporate existence and its ownership of Bidco and Kem One. The Issuer's only material assets and liabilities are its interest in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and intercompany balances incurred in connection with the Transactions.

The Issuer's revenue-generating activities are carried out by its operating subsidiaries. Repayment of our indebtedness, including under the Notes, is dependent, among other things, on the ability of our subsidiaries to make such cash available to us, by dividend distributions, debt repayment, loans or otherwise. Such subsidiaries may not be able to, or may be restricted by the terms of their existing or future indebtedness, or by law, in their ability to make distributions or advance upstream loans to enable us to make payments in respect of our indebtedness, including the Notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. For example, certain Apollo Funds are subject to the rules and requirements set out in the Alternative Investment Fund Managers Directive (the "**AIFMD**"), which may restrict certain activities of the Issuer and its subsidiaries. Among others, the ability of the Issuer's subsidiaries to make distributions to the Issuer within two years of the date of completion of the Acquisition will be restricted to the extent (i) the net assets shown in its latest annual accounts are, or following the distribution would become, lower than the amount of subscribed capital plus non-distributable reserves or (ii) the amount of the distribution would exceed the amount of the net profits at the end of its last financial year plus any net profits brought forward and sums drawn from reserves for this purpose, less any losses brought forward and sums placed in reserve in accordance with applicable laws. Our subsidiaries may not be able to, or may be restricted by the terms of their existing or future indebtedness, or by law, in their ability to make distributions or advance upstream loans to us. Each of our subsidiaries, under certain circumstances, may have legal and contractual restrictions which may limit our ability to obtain cash from our subsidiaries.

In the event that we do not receive distributions or other payments from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Notes. We do not expect to have other sources of funds, other than the distributions from our subsidiaries, which would allow us to make payments to holders of the Notes.

In such event, the holders of the Notes would have to rely upon claims for payment under the Notes Guarantees, which are subject to certain risks and limitations. In the case of non-Guarantor subsidiaries, all the existing (and future) liabilities of these subsidiaries, including any claims of trade creditors and preferred stockholders, are (or will be) effectively senior to the Notes. Any of the situations described above could adversely affect our ability to service our obligations under the Notes and the ability of each Guarantor to service its obligations under the Notes Guarantees.

Risks Related to Our Indebtedness

Our leverage and debt service obligations could adversely affect our business.

As of December 31, 2022, the principal amount of our total financial liabilities is €488 million. We anticipate that our leverage will continue and may increase for the foreseeable future due in part to expected investments in connection with our growth strategy. In addition, as of December 31, 2022, we had approximately €70 million of further available borrowings under the Revolving Credit Facility, which we may draw upon in the future. As of December 31, 2022, the Group repurchased and held €38 million aggregate principal amount of the Notes, which is included in the €488 million of liabilities outstanding as of December 31, 2022.

Our leverage could have important consequences for our business and operations and to the holders of the Notes, including: (i) making it more difficult for us to satisfy our debt obligations with respect to the Notes and other liabilities; (ii) increasing our vulnerability to a downturn in our business or economic and industry conditions; (iii) placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow or have greater financial resources than we have; (iv) limiting our ability to obtain additional financing and increasing the cost of any such financing to fund future working capital requirements, capital expenditures, business opportunities and other corporate requirements; (v) requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which means that this cash flow will not be available to fund our operations and for other corporate purposes; (vi) limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and our industry; and (vii) negatively impacting credit terms that we can obtain from our creditors.

We may incur substantial additional debt in the future which could mature prior to the Notes. Although the Indenture contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, the Indenture prevents us from incurring obligations that do not constitute indebtedness under those agreements. The incurrence of additional debt would increase the leverage-related risks described in this Annual Report.

If we cannot service our indebtedness and our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

We are subject to restrictive debt covenants under the Revolving Credit Facility Agreement and the Indenture that may limit the Group's ability to finance its future operations and capital needs, and to pursue business opportunities and activities.

The Revolving Credit Facility Agreement and the Indenture contain negative covenants restricting, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- make restricted payments, including paying dividends or making other distributions, making investments and prepaying or redeeming subordinated indebtedness or equity;
- create or incur certain liens;
- sell, lease or transfer certain assets;
- enter into arrangements that restrict dividends or other payments to us;
- engage in certain transactions with affiliates;

- create unrestricted subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

All of these limitations are subject to significant exceptions and qualifications.

The restrictions contained in the Revolving Credit Facility Agreement and the Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Revolving Credit Facility Agreement or the Indenture.

If there were an event of default under any of our debt instruments that is not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

We may incur additional indebtedness, including at the level of our non-Guarantor subsidiaries, which could increase our risk exposure from debt and could decrease your share in any proceeds distributed in connection with any insolvency or other winding-up of such subsidiaries.

Subject to restrictions in the Indenture and the Revolving Credit Facility Agreement, we may incur additional indebtedness, which could increase the risks associated with our already substantial indebtedness. We have the ability to borrow up to €100 million under our Revolving Credit Facility. The terms of the Indenture and the Revolving Credit Facility Agreement permit us to incur additional debt. Some of this debt could rank *pari passu* with the Notes, be structurally senior to the Notes and the Notes Guarantees, benefit from "super priority" status (including indebtedness under the Revolving Credit Facility and certain hedging obligations, if any) in the distribution of certain enforcement proceeds or be secured on assets which do not form part of the collateral for the Notes and the Notes Guarantees. Additional debt could also mature prior to the Notes.

Although the terms of the Indenture and the Revolving Credit Facility Agreement contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial.

Our non-Guarantor subsidiaries may also be able to incur substantial additional indebtedness in the future, further increasing the risks associates with our leverage. If any of our non-Guarantor subsidiaries incurs additional indebtedness, the holders of that debt will be entitled to share ahead of you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of such subsidiaries.

If we incur additional indebtedness, the related risks that we now face, as described above and elsewhere in these "*Risk Factors*," could intensify. In addition, the Indenture and the Revolving Credit Facility Agreement do not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

We require a significant amount of cash to service debt and for other general corporate purposes and our ability to generate sufficient cash depends on many factors beyond our control.

Our ability to make payments to meet our debt service obligations, including under the Revolving Credit Facility Agreement and the Indenture and to fund working capital and product development, renew concessions and make any acquisitions and capital expenditures will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed in these "*Risk Factors*" and elsewhere in this Annual Report.

Our business may not generate sufficient cash flows from operations and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, including the interest on the Notes, our other debt service obligations, including under the Revolving Credit Facility Agreement, or to fund our other liquidity needs. In addition, the Indenture permits us to make certain dividends, distributions or other payments to our shareholder, to make regularly scheduled cash interest payments on our debt (or any refinancing indebtedness in respect thereof) as well as the repurchase or retirement for value of such indebtedness in exchange for, or out of the proceeds of, subordinated indebtedness incurred by the Issuer or its restricted subsidiaries in compliance with the Indenture.

If our future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to reduce or delay our business activities, reduce research and development and capital expenditures, sell assets, obtain additional debt or equity financing or restructure or refinance all or a portion of our debt, including the Notes, on or before maturity. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including the Notes. If we are also unable to satisfy our obligations on other financing arrangements we could be in default under the Revolving Credit Facility Agreement, the Indenture and other relevant financing agreements which we may enter into in the future. In the event of a default under the Revolving Credit Facility Agreement or certain other defaults under any other agreement, the lenders under the respective facilities or financing instruments could take certain actions, including terminating their commitments and declaring all amounts that we have borrowed under our credit facilities and other indebtedness to be due and payable, together with accrued and unpaid interest. Such a default, or a failure to make interest payments on the Notes, could mean that borrowings under other debt instruments that contain cross-acceleration or cross-default provisions, including the Revolving Credit Facility, may as a result also be accelerated and become due and payable. If the debt under the Revolving Credit Facility or any other material financing arrangement that we have entered into or will subsequently enter into were to be accelerated, our assets may be insufficient to repay the Notes in full. Any such actions could force us into bankruptcy or liquidation, which would have a material adverse effect on our business, results of operations and financial condition.

In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of adequate cash flow from operations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including under the Indenture, restrict our ability to transfer or sell assets and to use the proceeds from any such disposition, subject to certain important exceptions. We may not be able to consummate certain dispositions or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due.

French tax legislation, to the extent it may restrict the deductibility, for French tax purposes, of indebtedness incurred in France, may reduce cash flow available to service the Group's indebtedness.

Under Article 39-1-3° of the French tax code (*code général des impôts*), interest paid by an entity to its direct shareholders who are not related parties within the meaning of Article 39,12 of the French tax code are tax deductible only up to the amount of interest computed on the basis of 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). Under Article 212-I, a of French tax code, interest incurred on loans granted by related parties within the meaning of Article 39,12 of the French tax code is deductible up to the amount of interest computed on the basis of the rate referred to in Article 39-1-3° of the French tax code or, if higher, up to the amount of interest computed on the basis of the rate that the borrowing entity could have obtained from independent financial credit institutions in similar circumstances.

Pursuant to Article 212 *bis* of the French tax code, the deductibility of net financial expenses incurred by an entity in respect of a given fiscal year is now limited to the highest of (i) €3 million and (ii) 30% of its adjusted

EBITDA in the same fiscal year (corresponding to its 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) generated by such entity (the "**30% Limitation**"). Such limitation applies to both related-party and third-party financings regardless of the purpose of these financings, subject to certain limited exceptions.

Furthermore, for entities being part of a group that files eligible consolidated financial statements, a safeguard clause has been implemented in order to partially exempt companies that are able to demonstrate that the ratio of their equity over their total assets is equal to or higher than the same ratio computed at the level of the accounting consolidated group to which they belong for accounting purposes. In this specific case, net financial expenses exceeding the 30% Limitation are deductible up to 75% of their amount (the "**75% Additional Deduction**").

French thin-capitalization rules apply cumulatively to the 30% Limitation, but only in respect of loans granted by related parties and no longer to third-party debts guaranteed by related parties. In this respect, where the amount of the related party debt of a company exceeds a ratio equal to 1.5 time the company's net assets (*fonds propres*) during a financial year, measured, at the company's option, at the opening or the close of such financial year, the company is regarded as thinly capitalized and the deduction of net financial expenses borne by such entity and corresponding to financing granted by unrelated parties and financing granted by related parties up to 1.5 times the company net assets (*fonds propres*) are only deductible up to the higher of (i) 30% of its adjusted EBITDA or (ii) €3 million, multiplied by a ratio equal to (A) the average amount of financing granted by non-related parties within the meaning of Article 39,12 of the French tax code increased by 1.5 time the company's net assets (*fonds propres*) (assessed either at the beginning or at the closing date of the fiscal year) by (B) the average amount of all financing granted to the company during said year. The net financial expenses borne by such companies and corresponding to financing granted by related parties exceeding 1.5 times the company's net assets (*fonds propres*) are only deductible up to the highest of (i) 10% of its adjusted EBITDA or (ii) €1 million, multiplied by a ratio equal to (A) the average amount of financing granted by related parties within the meaning of Article 39,12 of the French tax code exceeding 1.5 time the company's net assets (*fonds propres*) (assessed either at the beginning or at the closing date of the fiscal year) by (B) the average amount of all financing granted to the company during said fiscal year (the "**10% Limitation**"). However, the interest deductibility limitation provided for by these amended thin-capitalization rules does not apply if the borrowing company demonstrates that the overall debt-to-equity ratio of the group (as determined under accounting consolidation rules) to which it belongs is higher than its own debt-to-equity ratio. In addition, when a company falls within the scope of French thin-capitalization rules, it is not allowed to benefit from the 75% Additional Deduction.

Financial expenses that are disallowed pursuant to the 30% Limitation (and, as the case may be, after application of the 75% Additional Deduction) can be carried forward indefinitely and deducted in the future under the same conditions. On the other hand, the portion disallowed as a result of the application of the 10% Limitation is only eligible for carry-forward for one-third of its amount. The unused interest deduction capacity of a current fiscal year may broadly also be used over the five following fiscal years, but only against financial expenses incurred in respect of those fiscal years, it being noted that this measure is not available to thinly capitalized entities.

Specific rules apply to companies that belong to French tax consolidated groups, i.e., mainly (i) the 30% Limitation is computed on the basis of the consolidated adjusted EBITDA generated by such companies and (ii) the 1.5 debt-to-equity ratio is analyzed (x) on a consolidated basis pursuant to French accounting rules applying for purposes of establishing consolidated financial statements and (y) in respect of loans granted by related parties within the meaning of Article 39,12 of the French tax code which do not belong to the same tax consolidated group.

In addition, the new anti-hybrid limitation resulting from the second E.U. Anti-Tax Avoidance Directive (Council Directive (EU) 2017/952 of 29 May 2017) has been implemented into French tax law by the French Finance Law for 2020 under Articles 205 B, 205 C and 205 D of the French tax code and, in counterpart, the former French anti-hybrid rules, as set forth in former Article 212-I-b of the French tax code, have been repealed. The relevant mismatches are those arising, inter alia, from (i) hybrid instruments and entities (including permanent establishments), (ii) reverse hybrid entities and (iii) situations of dual residency.

Articles 205 B et seq. of the French tax code provide, broadly, limitations on interest deductions in the event of (i) a deduction of a payment at the level of a paying entity without a corresponding inclusion of such payment in the taxable income of the receiving entity (referred to as a "**deduction without inclusion**") or (ii) a deduction of the same payment, operational expenses or losses in the taxable income of both the paying and receiving entity (referred to as a "**double deduction**"). Such limitations only apply to payments taking place between "associated enterprises," except for the so-called "structured arrangements" (i.e., an arrangement pricing the relevant mismatch or an arrangement designed to produce the mismatch, subject to certain conditions). If the hybrid mismatch results in a deduction without inclusion, the deduction from taxable income will generally be denied to the French paying entity. Alternatively, the payment to a French receiving entity will be included in its taxable income if deduction is not denied in the jurisdiction of the paying entity. If the hybrid mismatch results in a double deduction, the deduction will either be denied at the level of the receiving entity or at the level of the paying entity. The new provisions also cover, *inter alia*, reverse hybrid entities, referring to situations where an entity is deemed to be tax transparent in its country of establishment but the jurisdiction of its "associated enterprises" holding directly or indirectly an aggregate of at least 50% of the voting rights, capital interests or rights to share profit, qualify the entity as non-transparent. In this situation, the entity would be treated as taxable in its jurisdiction of establishment (either at the level of the entity or at the level of its shareholders or partners).

The above-mentioned tax rules, as well as generally applicable tax principles, may limit our ability to deduct interest accrued on our indebtedness incurred in France and may thus increase our tax burden, which could adversely affect our business, financial condition and results of operations, and reduce cash flow available to service our indebtedness.

We may not satisfy the Sustainability Performance Targets. Accordingly, there can be no assurances as to whether the interest rate in respect of the Notes will be subject to adjustment.

Although we have committed to a reduction of our Baseline GHG Emissions of 6.4% by the end of 2023, 8.0% by the end of 2024 and 22.0% by the end of 2025, there can be no assurance of the extent to which we will be successful in doing so. In addition, there can be no assurance that any future investments we make in furtherance of these targets will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, in particular with regard to any direct or indirect environmental, sustainability or social impact. Adverse environmental or social impacts may occur during the design, construction and operation of any investments that we make in furtherance of our targets.

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 December 31, 2022 and for the twelve months ended December 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. As a result of the Acquisition and purchase accounting requirements, Parentco's consolidated income statement for the twelve months ended December 31, 2021 is not inclusive of the consolidated results of the K1 Group. Purchase accounting requires that for the twelve months ended December 31, 2021, the consolidated K1 Group results were reset as part of goodwill accounting and thus do not flow through the consolidated Parentco income statement. In order to present the Group's results of operations and financial condition on a consistent and comparative basis, the 2021 financial figures below represent the combined results of the K1 Group consolidated income statement and the Parentco income statement. We note that both the K1 Group and the Parentco results are presented on a Luxembourg GAAP basis; therefore, the combined group results are on a Luxembourg GAAP basis as well.

The financial results for the FY22 period are prepared in accordance with Luxembourg GAAP and represent the consolidated Parentco figures, which include the consolidated results of the K1 Group. It should be noted that FY20 results were prepared in accordance with French GAAP, while FY21 combined Group and FY22 Parentco results are prepared in accordance with 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 this 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 consolidated financial statements included elsewhere in this Annual 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[3], 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 December 31, 2022, we had approximately 890 kilotonnes of GP-PVC and Specialty PVC resin production capacity, 750 kilotonnes of caustic soda production capacity, and 124 kilotonnes of chloromethanes production capacity. We benefit from a diversified geographical exposure with approximately 30%, 18% and 11% of our 2022 revenues generated in France, Italy, and Germany respectively, with the remainder in the rest of Europe (22%) and the rest of the world (19%). 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.

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

For the fiscal year ended December 31, 2022, we had revenues of €1,525 million and Pro Forma Adjusted EBITDA of €397 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.

Impact of COVID-19 and Other Market Uncertainties on Our Business

The ongoing outbreak of COVID-19 is continuing to contribute to volatility and uncertainty in markets and the global economy. The Group has responded proactively to the COVID-19 outbreak by setting up a response team, taking measures to protect its employees, and addressing any impact on its operations. However, the ongoing volatility and uncertainty brought on by the COVID-19 pandemic makes it difficult for us to predict the extent of COVID-19's impact on our operations going forward.

Factors that could contribute to our ability to adjust to the COVID-19 pandemic include our ability to benefit from accelerated supply-demand imbalance in our industry and all-time high prices for our products and our ability to continue to take actions within our control to minimize the disruptive impacts of the COVID-19 pandemic.

In addition to the uncertainties brought about by COVID-19, recent events, including inflation, interest rate increases, and war between Russia and Ukraine, are creating additional uncertainties in the global economy, generally, and in the markets in which we operate. To date, the war between Russia and Ukraine has not had a material impact on our operating results; however, the Russia-Ukraine conflict, COVID-19, and other factors have had, and we expect will continue to have, adverse effects on global supply chains, which may impact some aspects of our business.

We believe that, despite the impact of COVID-19 and other market uncertainties 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 year ended December 31,		
€ in millions	**2020**	**2021**	**2022**
Reported EBITDA	73	278	354
Non-cash items	(6)	(1)	6
Non-recurring items	4	4	13
Out of period items	(5)	(2)	-
Loss related to interest rate hedging	1	2	(0)
R&D credit income	1	1	1
CVAE taxes	3	3	4
Other	—	—	2
Adjusted EBITDA	70	284	379

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. We may also experience disruptions as a result of labor disputes or workforce interruptions, including, for example, a labor strike that occurred in the first quarter of 2022, which impacted our results for that period, and which has since been resolved. During the latter half of Q2 2022, technical difficulties in Vauvert causing reduced salt production had a marginal impact on volumes for the FY22 period.

In Q1 2023, the Company faced significant delays related to scheduled maintenance of the Lavéra plant. The VCM plant was delayed multiple days primarily during the VCM restart phase. Although this delay did not materially increase turnaround costs beyond budget and equipment conditioning was still considered satisfactory, the delayed opening of the VCM plant led to constraints related to the Company's planned schedule (i.e., legal rules on work time and workload, as well as the complexity of the turnaround, duration and final inspection of the equipment and industrial hygiene). As the VCM unit is very complex and interconnected with others, the delayed opening of the plant negatively impacted other areas of the business as well.

In addition, in Q1 2023, the Company faced supply chain interruptions related to the national strikes in France related to pension reform. While the situation has improved significantly and operations have returned to normal, March and April 2023 results are likely to be impacted.

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 6.7% of total revenues 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 Annual 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 below. For the period ending December 31, 2022, the Group's consolidated results of operations have been aligned to reflect Luxembourg GAAP presentation, which varies from the financial statement line items presented in prior years. For purposes of comparability, we have aligned the presentation of the 2022 consolidated results of operations with that of prior years in the table below. We have included a detailed schedule in the Appendix of this report which reconciles the presentation below to the financial statements.

	For the year ended December 31,		
€ in thousands	**2020**	**2021**	**2022**
Income Statement Data:			
Net Revenue	820,308	1,338,745	1,635,014
Total Operating Revenue	840,290	1,408,161	1,673,126
Total Operating Expenses	836,668	1,201,298	1,420,800
Operating Profit (Loss)	3,622	206,863	252,326
Net Financial Income/Expenses	(791)	(7,557)	(21,504)
Recurring Profit (Loss) Before Taxes(1)	2,831	199,307	230,822
Other Income / Expenses(2)	3,561	(21,604)	(47,887)
Total Income	848,953	1,489,207	1,686,876
Total Expenses	842,561	(1,311,505)	(1,503,941)
Net Income	**6,392**	**177,703**	**182,935**

(1) For the twelve-month periods ended December 31, 2021 and December 31, 2020, "Recurring Profit (Loss) Before Taxes" excludes "Net exceptional items" of €10,515k and €5,658k, respectively, which were included in "Other Income / Expenses" prior to conforming the presentation to Luxembourg GAAP. Additionally, for the twelve-month period ended December 31, 2020, "Recurring Profit (Loss) Before Taxes" also excludes the "Employee profit sharing" expense of €1,208, which was included in "Other Income / Expenses" prior to the new ANC 2020-01 regulation.

(2) For the year ended December 31, 2020, "Other Income / Expenses" includes "Net exceptional items," "Income tax," and "Employee profit sharing." In accordance with the new ANC 2020-01 regulation, as of January 1, 2021, "Employee profit sharing" is included in "Salary and wages" in "Operating Expenses." Therefore, for the year ended December 31, 2021, "Other Income / Expenses" includes "Net exceptional items" and "Income tax." In aligning our financial statement presentation to conform with Luxembourg GAAP, as of December 31, 2022, "Net exceptional items" is included in "Other operating income" within "Total Operating Revenue." Therefore, for the year ended December 31, 2022, "Other Income / Expenses" includes only "Income tax."

Fiscal year 2022 compared to fiscal year 2021

Our consolidated results of operations for fiscal year 2022 compared to fiscal year 2021 are discussed below.

Net Revenue

Net Revenue for fiscal year 2022 was €1,635,014k compared to €1,338,745k for fiscal year 2021, an increase of €296,269k, or 22.1%. 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 year ended December 31,		Variance
€ in thousands	**2021**	**2022**	**%**
GP-PVC	€767,496	€721,997	(5.9)%
Caustic soda and other chlorine derivatives	209,025	435,826	108.5%
Specialty PVC	165,268	198,079	19.9%
Chloromethanes	50,877	61,640	21.2%
Other Product Revenue	90,234	107,742	19.4%
Service Revenue	55,845	109,729	96.5%
Net Revenue	**1,338,745**	**1,635,014**	**22.1%**

GP-PVC revenue for fiscal year 2022 was €721,997k, compared to €767,496k for fiscal year 2021, a decrease of €45,499k, or 5.9%. The decrease was primarily due to a significant decrease in GP-PVC demand in Europe beginning in July and increased imports, contributing to further selling price erosion.

Caustic soda and other chlorine derivatives revenue for fiscal year 2022 was €435,826, compared to €209,025k for fiscal year 2021, an increase of €226,800k, or 108.5%. The increase was primarily due to market tightness and pricing actions to offset variable cost increases.

Specialty PVC revenue for fiscal year 2022 was €198,079k, compared to €165,268k for fiscal year 2021, an increase of €32,811k, or 19.9%. 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.

Chloromethanes revenue for fiscal year 2022 was €61,640, compared to €50,877k for fiscal year 2021, an increase of €10,763k, or 21.2%. The increase was primarily due to positive pricing and expected volume outputs, partially offset by fluctuations in the chloromethanes market.

Service revenue for fiscal year 2022 was €109,729k, compared to €55,845k for fiscal year 2021, an increase of €53,885k, or 96.5%. 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 fiscal year 2022 was €1,420,800k, compared to €1,201,298k for fiscal year 2021, an increase of €219,502k, or 18.3%. This increase was primarily due to an increase in the cost of raw materials. 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. Additionally, Total Operating Expenses for fiscal year 2022 includes €22,948k of goodwill amortization compared to €0k for the twelve months ended December 31, 2021. As a result of the Acquisition and under Luxembourg GAAP, goodwill is being amortized over a period of approximately 7 years, in line with the maturity period of the Notes.

Net Financial Income/Expenses

Net Financial Income/Expenses for fiscal year 2022 were €21,504k expenses, compared to €7,557k expenses for fiscal year 2021, an increase in expenses of €13,947k, or 184.6%. This increase 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 year ended December 31, 2022 includes only income taxes, while Other Income / Expenses for the year ended December 31, 2021 includes net exceptional items and income taxes.

Net Exceptional Items – Net exceptional items for fiscal year 2022 were €2,636k, compared to €10,515k for fiscal year 2021, which is now recorded in Total Operating Revenue above due to alignment with Luxembourg GAAP. This decrease of €7,879k or 74.9% was primarily driven by certain costs related to the termination of one of our executive officers in fiscal year 2022 and additional extraordinary income in fiscal year 2021 for the reversal of certain risk provisions.

Income Tax – Income tax expense for fiscal year 2022 was €47,887k, compared to €32,119k for fiscal year 2021, an increase of €15,768k, or 49.1%. This increase was primarily related to increased net income during 2022 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 year ended December 31,		
€ in thousands	**2020**	**2021**	**2022**
Net cash from (used in):			
Operating activities	83,652	337,384	130,648
Investing activities	(62,806)	(763,967)	(185,127)
Financing activities	(431)	588,578	24,525

Operating Activities

Net cash from operating activities for fiscal year 2022 was €130,648k, compared to €337,384k for fiscal year 2021, a decrease of €206,736k, or 61.3%. The decrease was primarily due to cash outflows related to profit-sharing payments of €60,300k. Absent this outflow, cash flows from operating activities would have been more in line with historical results at €190,948k. Other drivers of the decrease in operating cash flows include changes in working capital requirements, most notably change in trade payables and other non-trade working capital.

Net cash from operating activities for fiscal year 2021 was €337,384k, compared to €83,652k for fiscal year 2020, an increase of €253,732k, or 303.3%, primarily related to improved market conditions in 2021 compared to negative impacts of the COVID-19 pandemic in 2020.

Investing Activities

Net cash used in investing activities for fiscal year 2022 was €185,127, compared to €763,967k for fiscal year 2021, a decrease of €578,840, or 75.8%. This decrease was primarily related to the absence of long-term loans related to the Acquisition.

Net cash used in investing activities for fiscal year 2021 was €763,967k, compared to €62,806k for fiscal year 2020, an increase of €701,161k, or 1,116.4%. This increase was primarily related to long-term loans related to the Acquisition.

Capital expenditures for the fiscal year 2022 were €156m, larger than the 2021 levels which were €89m, primarily driven by increased project capex spend during 2022. Maintenance capex remained in line with historic levels of approximately 3-6% of sales.

In the fiscal year 2022, we invested €29.3m in certain marketable securities.

Financing Activities

Net cash from financing activities for fiscal year 2022 was €24,525k, compared to cash from financing activities of €588,578k for fiscal year 2021, a decrease of €564,053k. The decrease primarily reflects the absence of loans issued and a capital increase in fiscal year 2022. In fiscal year 2022, we drew down €30m from our revolver, which we repaid during 2023.

Net cash from financing activities for fiscal year 2021 was €588,578k, compared to cash used in financing activities of €431k for fiscal year 2020, a net increase in cash used of €589,009k. The increase primarily 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 "*Risk Factors*."

The total amount of cash held on the balance sheet as of December 31, 2022 was €181.8 million, which includes cash earmarked for remaining one-time payments related to the Acquisition, amounting to €9.4 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, will depend on prevailing market conditions, our and their liquidity, contractual restrictions, and other factors. The amounts involved may be material. During the fourth quarter of 2022, we repurchased €38 million aggregate principal amount of the Notes in open market purchases.

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. As of December 31, 2022, approximately €30.0 million was drawn under the Revolving Credit Facility, which we repaid during 2023.

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 December 31, 2022, financial guarantees to the state were for an amount of €13.1 million and guarantees issued on behalf of third parties were for an amount of €0.9 million. In addition, as of December 31, 2022, we transferred €49 million in trade receivables to a factoring company; however we have not used this line of credit as of the date of this Annual Report.

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 Company 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 "*Consolidated Financial Statements—Note 3—Accounting principles and measurement methods*."

Changes in Accounting Policies and Disclosures

For information about our accounting principles and policies, please see "*Consolidated Financial Statements—Note 2—Accounting principles and policies*" and "*Consolidated Financial Statements—Note 3—Critical accounting estimates*" of our consolidated financial statements for the year ended December 31, 2022.

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 are subject to changes in market interest rates in connection with our long-term debt. Our principal interest rate exposure relates to variable rate borrowings under our Revolving Credit Facility. As of December 31, 2022, we had €30 million of borrowings outstanding under our Revolving Credit Facility, which we repaid during 2023.

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.

MANAGEMENT

Senior Management

The following individuals serve as members of Kem One's senior management. The business address of each member of Kem One's senior management is Kem One's registered address at 19 Rue Jacqueline Auriol, 69008, Lyon, France.

Name	Title
Paolo Barbieri	Chief Executive Officer
Jean-Luc Baudu	Chief Financial Officer
Charley Liere	Vice President, Sales & Marketing
Karine Gagne	Director, Human Resources
Olivier Thomas	Industrial Director

Set forth below are brief biographies of the members of Kem One's senior management.

Paolo Barbieri serves as Kem One's Chief Executive Officer, a role he has held since April 2023. For the 10 years preceding his time at Kem One, Mr. Barbieri held general management positions in Europe at Corteva Agriscience. In the first part of Mr. Barbieri's career, he held commercial management positions in various entities of DuPont chemical group. Mr. Barbieri holds a degree in business management from Bocconi University in Milan and is a graduate of the IESE Executive Program in Barcelona.

Jean-Luc Baudu has been the Chief Financial Officer of Kem One since 2014. From 2012 to 2013, Mr. Baudu was responsible for group consolidation of Kem One. From 2011 until joining Kem One, Mr. Baudu served as the Chief Financial Officer at DIMOTRANS Group. From 1995 to 2011, Mr. Baudu served at SAMAT Group as Accounting and Consolidation Director Holding, from 2003 to 2011, as Consolidation Manager Holding, from 2001 to 2003, as Administrative and Financial Manager, from 1997 to 2001, and as Accounting Manager Affiliate, from 1995 to 1997.

Charley Liere joined Kem One in October 2017 as Vice President of Sales & Marketing. Prior to joining Kem One, Mr. Liere served at Carbone Savoie as Business Development Manager, from 2011 to 2017, as Sales and Marketing Director, from 2010 to 2011, as Business Manager, from 2006 to 2010, and as R&D Engineer, from 2001 to 2006. Mr. Liere also served as Deputy Carbon Team Manager at Pechiney SA from 2000 to 2001.

Karine Gagne is Director of Human Resources at Kem One, having joined in October 2021. Prior to joining Kem One, Ms. Gagne served as Director of HR International & Talent Management at Gerflor Group from June 2016 to 2021. Ms. Gagne served as Director of Human Resources EMEA at the Manitowoc Company, Inc., from 2010 to 2016, and as Director of Talent Management EMEA, from 2007 to 2009.

Olivier Thomas has been serving as Industrial Director at Kem One since 2020, and served as Balan Plant Director from 2012 to 2020. Prior to joining Kem One, Mr. Thomas held various positions at Atofina and Arkema as VCM Production Manager, PVC Manufacturing Manager and Plant Director.

Board of Managers

Under Luxembourg company law, the directors of a société à responsabilité limitée, such as the Issuer, are called "managers." The board is responsible for managing the Issuer in accordance with applicable laws, constitutional documents and resolutions of the shareholders' meeting. The business address of each member of the board of managers of the Issuer is our registered address at 2 avenue Charles de Gaulle, L-1653 Luxembourg, Grand Duchy of Luxembourg.

Set forth below are brief biographies for each member of our board of managers, other than Mr. Barbieri. A biography for Mr. Barbieri is included above with the other members of senior management.

Gaëtan Dumont is the founder of The Square Finance s.à r.l. a privately-owned advisory company. He has been based in Luxembourg since 1999. Mr. Dumont acts as a professional independent director and advisor to companies' board of directors. He is also a board member of the Association des Trésoriers d'Entreprise ("ATEL"). Mr. Dumont worked in the financial markets and in corporate finance functions for more than 20 years, leading the Managing Director Group Treasury Center for 10 years. Mr. Dumont focuses on risk control functions, BEPS compliance requirements, corporate finance, investments, risk management and treasury services. Mr. Dumont has a commercial engineering degree from the University of Liege and is Financial Risk Manager certified.

Samuel Feinstein has been an investment professional in Apollo Global Management's private equity business since 2007. Prior to 2007, he was a member of the Investment Banking Group at Morgan Stanley. Mr. Feinstein currently serves on the boards of Covis Pharma, Vacuumschmelze and W.R. Grace and previously served on the boards of CEVA Logistics, Hexion, Momentive, Pinnacle Agriculture, Taminco Corporation, and Vectra Corporation.

Joanna Gosselin is a Director and Controller within Apollo for the Apollo managed entities and funds in Luxembourg and the Netherlands. Ms. Gosselin joined Apollo in 2016. Prior to joining Apollo, Ms. Gosselin was Manager in the domiciliation and corporate services team of the Alter Domus Luxembourg's private equity department, where she spent over 11 years. Ms. Gosselin graduated with a Bachelor's degree in Accounting and Management from Haute Ecole Blaise Pascal in Belgium.

Fabrice Jeusette is the head of Apollo's Luxembourg office and is Managing Director and Controller for all the Apollo managed fund entities located in Luxembourg. Mr. Jeusette joined Apollo in February 2011. Prior to that time, Mr. Jeusette worked for four years at Alter Domus Luxembourg where he was Manager of an accounting and tax compliance team. Previously Mr. Jeusette worked for three years at Ernst & Young as a Senior Auditor. Mr. Jeusette graduated from HEC Liege with a Master's degree in management and finance.

Laurent Lenoir is currently also Non-Executive Director at Carmeuse. He previously served for 10 years as Chief Executive Officer of Aliaxis and Taminco Corporation. Mr. Lenoir has been in the chemicals & construction materials industries for more than 25 years.

Fabien Morelli is a senior legal counsel and conducting officer (legal and compliance) of Apollo and is based in Luxembourg. He joined Apollo in 2015 from Linklaters LLP in Luxembourg, where he worked in the mergers and acquisitions department for over three years. Prior to joining Linklaters LLP, Mr. Morelli worked for two years in litigation matters and one year as an associate in the corporate department of Dentons Luxembourg (formerly OPF Partners). Mr. Morelli has been admitted to practice law in France since 2010, and in Luxembourg since 2013. He holds a Master's degree in banking and property law and an LLM from the University of Minnesota with a concentration in business law.

PRINCIPAL SHAREHOLDER

The Issuer is a wholly-owned indirect subsidiary of Parentco, which is controlled by the Apollo Funds. Apollo is a publicly listed (NYSE: APO) global alternative asset manager. In its asset management business, it seeks to provide its clients excess return at every point along the risk-reward spectrum from investment grade to private equity with a focus on three investing strategies: yield, hybrid, and equity. Through Athene, its retirement services business, it specializes in helping clients achieve financial security by providing a suite of retirement savings products and acting as a solutions provider to institutions. As of December 31, 2022, Apollo had approximately $548 billion of assets under management.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Management Consulting Agreement

In connection with the Transactions, we entered into a management consulting agreement with an affiliate of our Sponsor relating to the provision of certain management consulting and advisory services following the consummation of the Transactions. Pursuant to the management consulting agreement, such affiliate of our Sponsor may, in its sole discretion, deliver to us a fee notice, which would require us to pay an annual management fee equal to the greater of 2.0% of Pro Forma Adjusted EBITDA and €3.0 million. Such annual management fee is payable quarterly to such affiliate of our Sponsor. In 2022, Kem One paid €2.3 million of management fees pursuant to the management consulting agreement.

Transaction Fee Agreement

In connection with the Transactions, we entered into a transaction fee agreement with an affiliate of our Sponsor relating to the provision of certain preparation services in furtherance of the Transactions as well as future acquisitions or similar transactions following the Transactions. In exchange for the provision of such services, we (a) paid a non-refundable fee of approximately €6.0 million to such affiliate of Apollo upon the consummation of the Transactions and (b) in the event of any future investment activities of the Group or acquisition (including of assets or equity interests) of any business or entity by any member of the Group, will pay a non-refundable fee of up to 1.0% of the aggregate enterprise value paid by the Group in such acquisition or otherwise indicated in the definitive documentation with respect to such acquisition. Other than the €6.0 million referenced in the foregoing sentence, we did not make any payments pursuant to the transaction fee agreement from the consummation of the Transactions through December 31, 2022.

Initial Purchasers

Apollo Global Securities, LLC is an affiliate of our Sponsor and received a portion of the gross spread as an initial purchaser in the sale of the Notes.

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

Société à responsabilité limitée

Luxembourg Trade and Companies Register: B252753

CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2022

CONSOLIDATED MANAGEMENT REPORT OF LUNE PARENT GROUP

Dear all,

We are pleased to present you the consolidated management report of the Board of Managers on the consolidated financial statements of Lune Parent Group (as defined hereinafter), which includes Lune Parent (Lux) S.à r.l. and its subsidiaries (see *Note 1.3 – Scope of consolidation* in the consolidated financial statements) for the year ended December 31, 2022.

I. Overview

The Group acquired K1 Group SAS in December 2021, the leading European chlorovinyls producer, being the second largest European producer of PVC, the first largest producer of caustic soda in Southern Europe and the Mediterranean and the second largest producer in chloromethanes in Europe. K1 Group SAS operates through its trademark KEM ONE.

The Lune Parent Group's main activity is the acquisition, holding and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the administration, development and management of such interests.

II. Operating and Financial Review

1. Financial position

Lune Parent Group's financial year starts on January 1 and ends on December 31 of each year.

The Lune Parent Group posts operating revenues for an amount of EUR 1,673,125 k for the financial year ended December 31, 2022 and recognizes operating expenses for an amount of EUR (1,420,800) k.

Taking into account a financial result of EUR (21,503) k, including EUR (25,879) k of interests expenses on Senior Secured Notes and Senior Unsecured Notes, the net result after tax for the financial year amounts to EUR 182,935 k.

As at December 31, 2022, the total balance sheet of Lune Parent Group amounted to EUR 1,308,508 k.

Previous dividend distributions

No dividend distribution occurred during the period.

2. Environment

KEM ONE's activities are subject to local, national and international regulations, which are constantly evolving in the field of the environment and industrial safety, resulting in increasingly complex rules and restrictions.

In this respect, these activities can involve a risk of claims being brought against KEM ONE and entities within the group, notably concerning decontamination of sites and industrial safety.

Provisions for environmental impact, including, amongst others, for (i) future decontamination work, (ii) costs of ending the operation on wells and (iii) removal and treatment of equipment as well as treatment and disposal of mercury, has been taken into account in the consolidated annual accounts (see Notes 2.15 and 9).

To the best of its knowledge given the information available, management considers that it has adequately assessed and included the identified environmental liabilities in these annual accounts. However, should the laws, regulations and governmental policies regarding the environment change, the Lune Parent Group's obligations would probably be modified, which may lead to new costs being incurred.

3. Employees

As shown under Notes 2.15 and 9, Lune Parent Group continuously provides long-term benefits to its employees and makes the appropriate provisions for these benefits.

4. Research and developments

Research and developments costs for the year ended December 31, 2022 are accounted as charges for an amount of EUR 2.8 million.

5. Foreseeable developments and future prospects

The current energy crisis will force European players to improve their performance. Lune Parent Group has undertaken an extensive plan to improve its energy efficiency, making use of various aid mechanisms put in place by the French State.

Environmental considerations are increasingly present in the Lune Parent Group's business operations. In this sense, KEM ONE continues to engage in projects of modernization and reduction of its carbon footprint, such as:

- the new chlorine liquefaction unit at Lavéra,
- conversion of the diaphragm electrolysis unit at Fos,
- two projects for a global value of ca. EUR 40 million for the modernisation of the PVC plant in Saint-Fons and the increase of production capacity for the PVC plant in Saint-Auban,
- a contract to add 4 solar farms to its electricity contract (1% of its electricity consumption),
- tests on recycling the water from reactors with the goal to reuse such water (potential savings of 850,000 m3/year),
- the installation of heat exchangers to recover energy used during production and therefore potentially save 3,000 tons of steam per year, and
- continuing to improve reliability and flexibility of our production units.

6. Own shares

During the year under review, none of the Lune Parent Group companies owned directly or indirectly shares of Lune Parent (Lux) S.à r.l.

7. Main risks and uncertainties

We are subject to risks, uncertainties and other factors that could materially adversely affect our business, financial condition and results of operations or cause our actual results to differ materially from our plans, objectives, expectations, estimates and intentions.

These risks include, but are not limited to, price risks, credit risks, liquidity risks and cash flow risks, as well as the following factors: the impact of general economic and business conditions, including inflation, rising interest rates and a possible regional or global recession; higher than expected raw material, energy, transportation and/or logistics costs, including as a result of inflation; 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 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; the impact of current or anticipated military conflict, including between Russia and Ukraine, terrorism or other global geopolitical events on our business, industry, and the markets in which we operate; the impact of the COVID-19 pandemic on our business, liquidity, financial condition, and results of operations; 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; our ability to maintain key customer relationships; potential liability under product liability and intellectual property claims; risks related to litigation and other proceedings; our ability to attract and retain key personnel; 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; the risks that the interests of the funds affiliated with Apollo Global Management, Inc. that control us conflict with the interests of the holders of the Senior Secured Notes; risks related to our operations primarily as a holding company with no revenue-generating operations of our own; and our leverage and debt service obligations, which could adversely affect our business.

7.1. Risks Related to Our Indebtedness

Our leverage and debt service obligations could adversely affect our business.

As of December 31, 2022, the principal amount of our total financial liabilities is EUR 442 million, corresponding to (i) EUR 450 million of principal under on Senior Secured Notes out of which EUR 38 million in nominal value were repurchased during the financial year (see note 7) and (ii) EUR 30 million drawn under the Revolving Credit Facility. We anticipate that our leverage will continue and may increase for the foreseeable future due in part to expected investments in connection with our growth strategy. In addition, we have EUR 70 million of further available borrowings under the Revolving Credit Facility, which we may draw upon in the future (see note 11).

Our leverage could have important consequences for our business and operations and to the holders of the Senior Secured Notes, including: (i) making it more difficult for us to satisfy our debt obligations with respect to the Senior Secured Notes and other liabilities; (ii) increasing our vulnerability to a downturn in our business or economic and industry conditions; (iii) placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow or have greater financial resources than we have; (iv) limiting our ability to obtain additional financing and increasing the cost of any such financing to fund future working capital requirements, capital expenditures, business opportunities and other corporate requirements; (v) requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which means that this cash flow will not be available to fund our operations and for other corporate purposes; (vi) limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and our industry; and (vii) negatively impacting credit terms that we can obtain from our creditors.

We may incur substantial additional debt in the future, which could mature prior to the Senior Secured Notes. Although the Indenture governing the Senior Secured Notes contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, the Indenture does not prevent us from incurring obligations that do not constitute indebtedness under the Indenture. The incurrence of additional debt would increase the leverage-related risks described in our Annual Report and financial statements.

If we cannot service our indebtedness and our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

We are subject to restrictive debt covenants under the Revolving Credit Facility Agreement and the Indenture that may limit the Lune Parent Group's ability to finance its future operations and capital needs, and to pursue business opportunities and activities.

7.2. Risks of liquidity

Due to its financing instruments currently in place (see note 11), the Lune Parent Group may be exposed to risk of default by the financial institutions that manage the group cash or other financial instruments, since such default would lead to losses for the group.

7.3. Risks of interest rate

The Lune Parent Group is, however, not exposed to interest rate fluctuation in respect of its financing instruments listed under Note 11.3.2 as these instruments provide for a fixed rate or, should it refer to EURIBOR, the agreements also provide for the flexibility to apply any other rate agreed between the parties.

Luxembourg, April 13, 2023

Lune Parent (Lux) S.à r.l.

Board of Managers

Sam Feinstein

Samuel Feinstein
Manager

Fabrice Jeusette
Manager

LUNE PARENT GROUP

Consolidated Balance Sheet as at December 31, 2022

€ (000)

ITEM		31/12/2022	31/12/2021
NON-CURRENT ASSETS			
FIXED ASSETS			
INTANGIBLE ASSETS			
. Concessions, patents, licences, trademarks, and similar rights and assets	(note 2.8, 4, 4.1)	897	1,384
. Goodwill to the extent that it was acquired for valuable consideration	(note 2.8, 4, 2.5, 4.1)	137,690	150,520
TANGIBLE ASSETS			
. Land and Buildings	(note 2.8, 4, 4.2)	82,904	55,904
. Plant and machinery	(note 2.8, 4, 4.2)	301,032	260,510
. Other fixtures and fittings, tools and equipment	(note 2.8, 4, 4.2)	819	780
. Payments on account and tangible assets in the course of construction	(note 2.8, 4, 4.2)	143,398	127,273
FINANCIAL ASSETS			
. Investments held as fixed assets	(note 2.9, 4, 4.3)	1,437	1,968
. Loans to undertakings with which the undertaking is linked by virtue of participating interests	(note 2.9, 4, 4.3)	1,426	1,025
. Other loans	(note 2.9, 4, 4.3)	1,521	1,493
TOTAL NON CURRENT ASSETS		671,124	600,857
CURRENT ASSETS			
STOCKS			
. Raw materials and consumables	(note 2.10, 5)	48,591	38,502
. Work in progress	(note 2.10, 5)	245	254
. Finished goods and goods for resale	(note 2.10, 5)	76,262	88,939
PAYMENT ON ACCOUNTS			
. Becoming due and payable within one year	(note 6)	7,300	9,819
. Becoming due and payable after more than one year	(note 6)	159	-
DEBTORS			
. Trade debtors			
. Becoming due and payable within one year	(note 2.11, 6)	198,414	212,491
. Other debtors			
. Becoming due and payable within one year	(note 6)	89,558	62,055
. Deferred tax assets	(note 2.18, 10)	21	126
INVESTMENTS			
. Other Investments	(note 2.9, 7)	29,343	-
CASH AT BANK AND IN HAND		181,767	211,783
PREPAYMENTS		5,724	1,414
TOTAL CURRENT ASSETS		637,384	625,383
TOTAL ASSETS		**1,308,508**	**1,226,240**

The notes in annex form an integral part of annual accounts.

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

ITEM		31/12/2022	31/12/2021
CAPITAL AND RESERVES			
. Subscribed capital	(note 8, 8.1, 8.4)	1,015	1,017
. Share premium account	(note 8, 8.2, 8.4)	233,285	234,044
. Legal reserve	(note 8, 8.3, 8.4)	-	-
. Other reserves, including the fair value reserve	(note 8, 8.4)	-51	-
. Profit or loss brought forward	(note 8, 8.4)	-13,126	-
. Non-controlling interest	(note 8, 8.4, 8.5)	1,077	-
PROFIT OR LOSS FOR THE FINANCIAL PERIOD	(note 8, 8.4)	182,478	-13,126
. Capital investment subsidies	(note 2.14, 8, 8.6)	13,449	14,555
TOTAL EQUITY		418,127	236,490
PROVISIONS			
. Provisions for pensions and similar obligations	(note 2.15, 9)	17,501	19,542
. Provisions for taxation	(note 2.18, 10)	45,861	40,924
. Other provisions	(note 9)	43,058	39,336
TOTAL PROVISIONS		106,420	99,802
LIABILITIES			
CREDITORS			
. Amounts owed to credit institutions			
. Becoming due and payable within one year	(note 2.13, 11, 11.1)	32,272	2,000
. Becoming due and payable after more than one year	(note 2.13, 11, 11.1)	6,000	8,000
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	(note 11.2)	515	3,139
. Becoming due and payable after more than one year	(note 11.2)	3,536	-
. Trade creditors			
. Becoming due and payable within one year	(note 11.2)	124,857	223,262
. Other creditors	(note 11.3)		
. Becoming due and payable within one year	(note 11.3.1)	175,202	214,452
. Becoming due and payable after more than one year	(note 11.3.2)	437,766	435,715
DEFERRED INCOME	(note 12)	3,813	3,380
TOTAL LIABILITIES		783,961	889,948
TOTAL LIABILITIES & EQUITY		**1,308,508**	**1,226,240**

The notes in annex form an integral part of annual accounts.

LUNE PARENT GROUP
Consolidated Profit and loss for the Year ended 2022
€ (000)

ITEM		31/12/2022	From 05/03/2021 (date of incorportation) to 31/12/2021
Net turnover	(note 13)	1,635,014	-
Variation in stocks of finished goods and in work in progress		(3,099)	-
Work performed by the undertaking for its own purposes and capitalised		5,659	-
Other operating income	(note 14)	35,552	-
Raw materials and consumables and other external expenses		(1,144,013)	(10,071)
. Raw materials and consumables	(note 15)	(855,938)	-
. Other external expenses	(note 15)	(288,075)	(10,071)
Staff costs		(153,304)	-
. Wages and salaries		(83,545)	-
. Social security costs		(43,890)	-
. Other staff costs		(25,869)	-
Value adjustments		(118,593)	-
. In respect of formation expenses and of tangible and intangible fixed assets	(note 16)	(97,620)	-
. In respect of current assets and provisions	(note 16)	(20,973)	-
Other operating expenses	(note 17)	(4,890)	-
Other interest receivable and similar income	(note 18)	13,750	69
. Other interest and similar income		13,750	69
Interest payable and similar expenses	(note 19)	(35,254)	(3,124)
. Other interest and similar expenses		(35,254)	(3,124)
Tax on profit or loss	(note 20)	(47,887)	-
Profit or loss after taxation		**182,935**	**(13,126)**
Profit or loss after taxation attributable to:			
Sole shareholder of the company	(note 8.4)	182,478	(13,126)
Non-controlling interest	(note 8.4)	457	-

The notes in annex form an integral part of annual accounts.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

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 main activity of the Company is the acquisition, holding and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the adminitration, development and management of such interests.
The main activities of its subsidiairies consist in extracting salt to the production of chlorine, caustic soda and their derivatives, to the manufacture of PVC (polyvinyl chloride).

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.
Lune BidCo paid an additional purchase price to the ex-owner of KEM ONE, to settle the price of the transaction.

1.3 Scope of consolidation

The Consolidated annual accounts include the Company and its subsidiaries, collectively referred as the "Group".

Parent company	Lune Parent (Lux) S.à r.l.		
		2022	**2021**
		% interest	% interest
Luxembourgish companies			
Lune GP S.à r.l. ("Lune GP")		100.00	100.00
Lune Midco Lux SCA ("Lune Midco")		99.75	100.00 (**)
Lune Holdings S.à r.l. ("Lune Holdings")		100.00	100.00
Non-Luxembourgish companies			
Lune BidCo	(France)	100.00	100.00
K1 Group SAS	(France)	100.00	100.00
KEM ONE	(France)	100.00	100.00
SCIA DE PARAPON	(France)	100.00	100.00
KEM ONE Hernani	(Spain)	100.00	100.00
KEM ONE Italia	(Italy)	100.00	100.00
KEM ONE Petrokimya	(Turkey)	100.00	100.00
AP Star TopCo AB	(Swedish)	0	100.00 (*)
AP Star HoldCo AB	(Swedish)	0	100.00 (*)
AP Star BidCo AB	(Swedish)	0	100.00 (*)
AP Star MidCo AB	(Swedish)	0	100.00 (*)

(*) Swedish companies are shell companies with no activiy during the period 2021 and these subsidiaries disposed off in the year 2022.
(**) Due to the sale of shares held by the Company and variation on Lune Midco share capital, the shareholding percentage of the Company in Lune Midco decreased since December 31, 2021.

The consolidated annual accounts as at December 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.

The Group and minority interests share of profits or losses or changes in the net equity of subsidiaries are determined based on existing voting rights, without considering the effects of potential voting rights which are exercisable or convertible.

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: 19.96

2.3 Non-controlling interest

The share of the minority shareholders in the net equity and in the net profit for the year of the subsidiaries is shown separately in the consolidated balance sheet and consolidated profit and loss account, respectively.

2.4 Closing date of accounts

Financial year starts on January 1 and ends on December 31 of each year. This applies to all group companies.

2.5 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.

2.6 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.

2.7 Formation expenses

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

2.8 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 fiscal year.

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.

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 Financial assets and Investments

2.9.a 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.

2.9.b Investments

Investments may include transferable securities, as well as other investments in shares and other securities equivalent to shares and in bonds or other forms of securitised debts.

Transterable securities and other investments are valued at the lower of cost, including expenses incidental thereto and calculated on the basis of weighted average prices/the FIFO method/the LIFO method (or a method reflecting generally accepted best practices - to be disclosed), or market value. A value adjustment is recorded where the market value is lower than the cost of purchase. These value adjustments are reversed if the reasons for which the value adjustments were made have ceased to apply.

2.9.b Investments (continued)

The market value corresponds to:
• the last available quoted price in an active market for quoted securities;
• the fair value estimated with due care and in good faith by the Board of Managers based on market and business assumptions.

2.10 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.

2.11 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 at the exchange rate prevailing at the balance sheet date.

2.12 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 fiscal year.

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.

2.13 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".

2.14 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.

2.15 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

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

2.15 Provisions for liabilities and charges (continued)

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).

2.16 Net turnover

Net turnover 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.

2.17 Other financial expenses

Interest income and interest charges are accrued on a timely basis, by reference to the principal outstanding and at the nominal interest rate applicable.
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.

2.18 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 €68,411,000 except corporation taxes which have been taken into consideration.

As of January 1st, 2022, Lune BidCo SAS (the "BidCo") has created a fiscal integration group that incorporates the BidCo and its french subsidiaries, which are subject to corporate income tax in France.

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.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (CONTINUED)

Note 4 Fixed assets

Note 4.1 Intangible assets (including goodwill)

This item is composed as follows:

€ (000)	Beginning of the year	Changes in consolidation scope	Acquisition and allocation	Disposal & write-back	Transfers	FX difference	Close of the year
Gross value	193,363	-	10,527	-	-	-	203,890
- patents	40,368	-	409	-	-	-	40,777
- goodwill	152,995	-	10,118	-	-	-	163,113
Amortisation	-41,459	-	-23,844	-	-	-	-65,303
- patents	-38,984	-	-896	-	-	-	-39,880
- goodwill	-2,475	-	-22,948	-	-	-	-25,423
Net value	**151,904**	**-**	**-13,317**	**-**	**-**	**-**	**138,587**
- patents	**1,384**	**-**	**-487**	**-**	**-**	**-**	**897**
- goodwill	**150,520**	**-**	**-12,830**	**-**	**-**	**-**	**137,690**

Due to market fluctuations, management decided not to write-back the €35.4m provision for impairment of intangible assets mainly related to know-how.

Note 4.2 Tangible assets

This item is composed as follows:

€ (000)	Beginning of the year	Changes in consolidation scope	Acquisition and allocation	Disposal & write-back	Transfers	FX difference	Close of period
Gross value	842,962		157,461	-662	-	-	999,761
- Land and Building	108,606		4,910	-662	30,619	-	143,473
- Plant and machinery	602,382		37,826	-	67,612	-	707,820
- Other fixtures and fittings, tools and equipt	4,475		375	-	-	-	4,850
- Payts on acct and tang assets in course of const.	127,499		114,350	-	-98,232	-	143,617
Depreciation	-398,495		-73,775	662	-	-	-471,609
- Land and Building	-52,702		-8,530	662	-	-	-60,571
- Plant and machinery	-341,872		-64,916	-	-	-	-406,788
- Other fixtures and fittings, tools and equipt	-3,709		-322	-	-	-	-4,031
- Payts on acct and tang assets in course of const.	-212		-7	-	-	-	-219
Net value	**444,467**	**-**	**83,686**	**-**	**-**	**-**	**528,153**
- Land and Building	**55,904**	**-**	**-3,620**	**-**	**30,619**	**-**	**82,904**
- Plant and machinery	**260,510**	**-**	**-27,090**	**-**	**67,612**	**-**	**301,032**
- Other fixtures and fittings, tools and equipt	**766**	**-**	**53**	**-**	**-**	**-**	**819**
- Payts on acct and tang assets in course of const.	**127,287**	**-**	**114,343**	**-**	**-98,232**	**-**	**143,398**

Note 4.3 Financial assets

This item is composed as follows:

€ (000)	Undertakings with which the undertakings is linked by virtue of participating interests - Shares	Undertakings with which the undertakings is linked by virtue of participating interests - Loans	Investment held as fixed assets	Other Loans
Gross book value - opening balance	**-**	**1,025**	**1,968**	**1,493**
additions for the year	-	504	-	61
Disposals for the year	-	-103	-531	-33
Transfer for the year	-	-	-	-
Gross book value - closing balance	**-**	**1,426**	**1,437**	**1,521**
Accumulated value adjustments - opening balance	**-**	**-**	**-**	**-**
Allocations for the year	-	-	-	-
Reversals for the year	-	-	-	-
Transfer for the year	-	-	-	-
Accumulated value adjustments - closing balance	**-**	**-**	**-**	**-**
Net book value - closing balance	**-**	**1,426**	**1,437**	**1,521**
Net book value - opening balance	**-**	**1,025**	**1,968**	**1,493**

The Group has an account called “Asbestos Trust”, while also holding an Asbestos provision in its provision for charges.

Note 5 Stocks

This items is composed of:	2022 € (000)	2021 € (000)
- Raw materials and consumables	48,591	38,502
- Work in progress	245	254
- Finished goods and goods for resale	76,262	88,939
Total	**125,098**	**127,695**

Note 6 Debtors

This item is composed of:

	2022 € (000)	<1 year	>1 year	2021 € (000)	<1 year	>1 year
Advances and payments on account	**7,459**	7,300	159	**9,819**	9,819	-
Trade receivables	**198,414**	198,414	-	**212,491**	212,491	-
Other operating and mis. Receivable(*)	**89,558**	89,558	-	**62,055**	62,055	-
Total	**295,431**	295,272	159	**284,365**	284,365	

(*) The other operating and miscellineaous receivables is mainly composed of:

	2022 € (000)	<1 year	>1 year	2021 € (000)	<1 year	>1 year
CIT down payment	**53,414**	53,414	-	**34,000**	34,000	-
State - Accrued income	**23,807**	23,807	-	**9,812**	9,812	-

Note 7 Investments

As at December 31, 2022, the group holds €38,000 k of its own sustainability linked senior security notes (see note 11.3.2) as follows "Repurchased Notes").

Figures in K euro

Nature	Maturity date	Interest rate	Nominal Value	Acquisition value	Accrued interest	31 Dec 2022
Repurchased Notes	15/11/2028	5.625%	€ 38,000	€ 29,138	€ 205	€ 29,343

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (CONTINUED)

Note 8 Capital and reserves

Note 8.1 Subscribed capital

On December 12, 2022, pursuant to a free shares plan, the below shares were granted but not yet issued (the “Free Shares”):

-67,181 class A ordinary
-1,276,490 preferred A
-2,000 preferred B shares;
-2,000 preferred C shares.
The Free Shares will be issued at the end of the acquisition period as defined in article 7 of the free shares plan.

As at December 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:

- 6,546 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 8.2 Share premium account

On October 14, 2022, the Company made a repayment of share premium in the amount of EUR 140,904.57.
As at December 31, 2022, the balance of the share premium accounts amounts to EUR 233,285 k.

Note 8.3 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 8.4 Movement for the year of capital and reserve

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

€ (000)	Subscribed capital	Share premium reserves	Legal reserve	Other reserves	Results brought forward	Results for the fiscal year (Group)	Non-controlling interests
As at January 1, 2022	**1,017**	**234,044**	**-**	**-**	**-**	**-13,126**	**-**
Movement for the year	**-2**	**-759**	**-**	**-51**	**-13,126**	**195,604**	**1,077**
- Allocation of previous year's profit or loss	-	-	-	-	-13,126	13,126	-
- Repayment	-	-141	-	-	-	-	-
- Profit or loss for the year	-	-	-	-	-	182,478	457
- other movements	-2	-618		-51	-	-	620
As at December 31, 2022	**1,015**	**233,285**	**-**	**-51**	**-13,126**	**182,478**	**1,077**

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (CONTINUED)

Note 8.4 Movement for the year of capital and reserve (continued)

As at March 5, 2021 (date of incorporation)	**1,017**	**234,044**	**-**	**-**	**-**	**-**	**-**
Movement for the year	**-**	**-**	**-**	**-**	**-**	**-13,126**	**-**
- Allocation of previous year's profit or loss	-	-	-	-	-	-	-
- Dividends	-	-	-	-	-	-	-
- Profit or loss for the year	-	-	-	-	-	-13,126	-
- other movements	-	-	-	-	-	-	-
As at December 31, 2021	**1,017**	**234,044**	**-**	**-**	**-**	**-13,126**	**-**

The other movements correspond to transfers to non controlling interest share in the profit for the year and net equity. (note 8.5).
"Equity equivalents" refer to capital grants linked to investments recorded in assets.

Note 8.5 Non-controlling interest

Following the transfer of shares to the benefit of third parties during the year 2022, a portion of non-controlling interest has been calcultated on the net consolidated result of the current year, and on the net equity as of closing date, excepted the net result owned by the parent company.

Note 8.6 Capital investment subsidies

This item is composed of :

	2022	2021
	€ (000)	**€ (000)**
- investment subsidies	13,449	14,555
Total	**13,449**	**14,555**

The movements on the Capital investment subsidies are as follows:

	2022	2021
	€ (000)	**€ (000)**
Beginning of the year	**14,555**	**-**
Additions	458	14,555
Amortization	-1,564	-
End of the year	**13,449**	**14,555**

Note 9 Provisions

€ (000) Provisions	Beginning of the year	Provision of the year	Write-back of the year Used	Write-back of the year Unused	Changes to consolidation scope and other	Close of the year
Pension obligations	19,542	4,283	-6,324	-	-	17,501
Awards and bonuses	8,751	1,564	-2,430	-	-	7,885
Environment	18,394	6,830	-3,615	-	-	21,609
Other	12,191	3,446	-2,073	-	-	13,564
Total	**58,878**	**16,123**	**-14,442**	**-**	**-**	**60,559**

The group's business is subject to a collection of international, national and local regulations in the field of environmental protection and industrial safety. These regulations are constantly evolving, meaning obligations are increasingly complex and restrictive.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (CONTINUED)

Note 9 Provisions (continued)

The group's business carries a risk of the company being liable for the decontamination of sites and industrial safety.

To the best of its knowledge given the information available, the management considers that it has adequately assessed and included the identified environmental liabilities in these annual accounts. However, should the laws, regulations and governmental policies on the environment change, the group's obligations would probably be modified and lead to new costs being incurred.
The group currently operates sites where it stores waste or from which it disposes waste; relevant authorities have required or still require these sites to undergo decontamination and control their emissions. It is probable that such requirements will occur in the future.

Operational sites
The group holds several sites, some of which are probably contaminated considering the period of operation and the diverse activities that have been or are being exercised on them. Certain situations have been identified on these sites. The group has already carried out decontamination work or has set out a plan of action and set aside provisions to deal with future decontamination.
An indemnity contract also set out that Arkema France will cover the group for the remediation costs of the old abandoned wells at the Vauvert site. On the group's side, it recorded a provision for the costs of ending the operation of the wells under its responsibility.
Provisions have also been established for the removal and treatment of equipment that had come into contact with the old mercury electrolysis units and for the treatment and disposal of mercury.

Note 10 Provision for taxation

Deferred tax assets and liabilities, regardless of their due date, are offset whenever they relate to the same taxable entity.
Deferred tax assets and liabilities are presented under separate headings in the balance sheet:

	2022	2021
	€ (000)	€ (000)
Deferred tax assets	21	126
Deferred tax liabilities	-45,861	-40,924
	-45,840	-40,798

By type of restatement, the consolidated net balance is as follows:

	2022	2021
	€ (000)	€ (000)
Capitalisation of tax losses	-	-
Temporary differences	9,311	9,839
Tax restatement and harmonisation (*)	-55,151	-50,637
	-45,840	-40,798

(*) this item is mainly composed of deferred tax liabilities calculated on intragroup remaining debt (see Note 2.18), decommissionning expenses occured within major equipment and fiscal depreciations.
There are no deferred tax assets that are not offset by deferred tax liabilities.

Note 11 Creditors

Note 11.1 Amounts owed to credit institutions

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 September 30, 2022 and October 4, 2022, the Group made drawdowns of respectively, EUR 10 million and EUR 20 million, under the super senior revolving facilities agreement dated November 18, 2021.

The Amounts owed to credit institutions includes a €8 million (€10 million for its nominal value) secured from the Public Investment Bank (BPI). This loan corresponds to the funding for major strategic and pivotal projects (BPI).

These loans can be split as follows:	2022	2021
	€ (000)	€ (000)
Becoming due and payable within one year	32,272	2,000
Becoming due and payable after more than one year	6,000	8,000

Note 11.2 Trade creditors

The payment schedule of payables under current liabilities is described in the table below:

	2022			2021		
	€ (000)	<1 year	>1 year	€ (000)	<1 year	>1 year
Advances and payments	4,051	515	3,536	3,139	3,139	-
Trade payables	124,857	124,857	-	223,262	223,262	-
Total	**128,908**	**125,372**	3,536	**226,401**	**226,401**	-

Note 11.3 Other creditors

Note 11.3.1 Becoming due and payable within one year

This item is composed of:

	2022 € (000)	2021 € (000)
Taxes and employee-related payables	69,330	163,937
Liabilities on non-current assets and related accounts	38,595	26,559
Other payables and miscell. payables	64,033	20,933
Interest accrued on the Notes	3,244	3,023
Total	**175,202**	**214,452**

Note 11.3.2 Becoming due and payable after more than one year

	2022 € (000)	2021 € (000)
Other creditors	437,766	435,715

- 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. The reimbursment is planned on November 15, 2028;
- 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;
- On October 14, 2022, pursuant to a notice of redemption, the Company redeemed the totality of the 390,439,355 senior unsecured notes issued by the Company to its sole shareholder on December 15, 2021, each having a par value of EUR 0.01, for an amount of EUR 3,904,393.55.

This item includes Notes issued during the period and is netted off with capitalized expenses in relation to the issuance of these Notes for an amount of EUR 12,234 k (the "transaction fees"). The transaction fees will be amortized over the existence of the Notes. An amortization of EUR 2,051 k has been recognized into the profit and loss.

Note 12 Deferred income

Deferred income records sales for which deliveries are made after the end of the fiscal year

	2022 € (000)	<1 year	>1 year	2021 € (000)	<1 year	>1 year
Deferred income	3,813	3,813	-	3,380	3,380	-

Note 13 Net turnover

The breakdown of consolidated revenue is as follows:

	2022 € (000)	%
By type:		
Sale of		
Goods	1,525,284	93.3%
Services	109,730	6.7%
By geographical region:		
France	558,932	36.6%
Ex-France	966,352	63.4%
Goods sold by product category:		
General-use PVC	721,997	47.3%
Paste PVC	174,274	11.4%
CPVC	23,805	1.6%
Chlorine / Caustic soda	435,826	28.6%
VCM-DCE	104,680	6.9%
Chloromethanes	61,641	4.0%
Bleach	1,482	0.1%
Clarfer, HCL	1,579	0.1%

Note 14 Other operating income

	2022 € (000)
Operating subsidies	14,186
Allowance/write-back on provisions for liabilities and charges	5,061
Allowance/write-back on provisions for inventory depreciation	837
Allowance/write-back on provisions for bad debt	1,158
Transfer of staff expenses & others	2,703
Other income	9,968
Portion of subsidies recognised in income statement	1,574
Gain/loss on disposal of assets	65
Total	**35,552**

This account Operating subsidies is composed of €14,000 k of CO2 compensation for the FY22. The aid granted to companies exposed to a significant risk of carbon leakage as a result of the costs of the greenhouse gas emission trading scheme being passed on to electricity prices is recognized as an operating subsidy.

The Other income consists mainly in exchange differences on open positions with customers and suppliers.

Note 15 Raw materials and consumables and other external expenses

Raw materials and consumables

	2022 € (000)
Bought-in goods purchased	102,281
Raw materials	427,905
Consumables	320,500
Other supplies	7,052
Related costs	8,813
Inventory change	(10,613)
Total	**855,938**

Other external expenses

	2022 € (000)	2021 € (000)
Services	47,864	-
Subcontractors	12,103	-
Transport	84,868	-
Cost of goods and supplies not for stock	27,197	-
Non-company personnel	932	-
Warehousing and security	9,829	-
Maintenance	55,883	-
Commissions	3,720	-
Leases and charges	8,493	-
Business trip/hosting costs	1,976	-
Insurance	5,796	-
Telecommunication costs	517	-
Accounting, Administrative and Financing fees	11,633	10,071
Studies and research	1,299	-
Miscellaneous	2,466	-
Taxes, levies and similar	13,499	-
Total	**288,075**	**10,071**

Note 16 Value adjustments

In respect of formation expenses and of tangible and intangible fixed assets

	2022
	€ (000)
Amortisation of intangible assets	897
Depreciation of PP&E	73,775
Allocation to goodwill amortization	22,948
Total	**97,620**

In respect of current assets and provisions

	2022
	€ (000)
Provisions for inventory impairment	10,950
Provisions for bad debt	840
Provisions for liabilities and charges	9,183
Total	**20,973**

Note 17 Other operating expenses

	2022
	€ (000)
Other operating expenses	4,890

This account consists mainly in exchange differences on open positions with customers and suppliers.

Note 18 Other interest receivable and similar income

The group's other interest receivable and similar income breaks down by finance and transaction type as follows:

	2022	2021
	€ (000)	€ (000)
Write-back of other financial liability provisions	7,612	-
FX gains	4,259	69
Other financial income	1,879	-
Total	**13,750**	**69**

Note 19 Interest payable and similar expenses

The group's interest payable and similar expenses breaks down by finance and transaction type as follows:

	2022	2021
	€ (000)	€ (000)
Allocation other financial liability provisions	(5,231)	(74)
Cost of financing of medium-term borrowings	(25,879)	(3,031)
Cost of financing of leasing and finance leases	(5)	(12)
FX losses	(2,805)	(7)
Other financial expenses	(1,334)	-
Total	**(35,254)**	**(3,124)**

Note 20 Income tax

Income tax breaks down by type as follows:

	2022
	€ (000)
Deferred tax	(5,042)
Tax payable	(42,845)
Total	**(47,887)**

Due to the constitution of the tax consolidation group since January 1, 2022, the loss result of Bidco is offset at the level of the group result accordingly the benefit of the fiscal tax integration accounts for € 10,362 k (note 2.18).

Note 21 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	31/12/2022 '€ (000)
NET INCOME	182,935
. Adjustments:	
. Non-current assets: D&A	95,981
. Non-current assets: allocations to provisions	2,051
. Tax income and expenses	51,719
. Financial income and expenses on debt	25,461
. Other	(187)
EBITDA	**357,960**
. Allocations net of write-backs to provisions for liabilities and char	1,681
. Adjustments to specific items	9,795
. Working capital requirements:	
. Change in inventory	(7,515)
. Change in trade receivables	13,962
. Change in trade payables	(93,350)
. Change in other working capital req.	(72,616)
Net cash from (used in) operations	**209,917**
. Income tax	(54,010)
. Financial income and expenses on debt	(25,259)
Net cash from (used in) operating activities	**130,648**
. Intangible and tangible assets	(168,308)
. Change in fixed asset payables	12,343
. Proceeds from asset sales	78
. Increase in long-term loans	103
. Increase in Investments	(29,343)
Net cash from (used in) investing activities	**(185,127)**
. Issuance of shares and other equity	200
. Share premiums paid	(141)
. Change in current accounts	(4,073)
. Debt issuance	30,529
. Repayment of debt	(2,458)
. Investment subsidies	468
Net cash from (used in) financing activities	**24,525**
Net increase/decrease in cash and cash equivalents	**(29,954)**
. Effect of exchange rates	(63)
. Cash and cash equivalents at the beginning of the period	211,784
Cash and cash equivalents at end of period	**181,767**

Note 22 Off-balance-sheet commitments

The Company entered into various pledge agreements in relation to sustainability-linked senior secured notes, whereby the securities have been pledged in favour of HSBC Bank PLC as Security Agent, in case of default on the repayment of the sustainability-linked senior secured notes issued by Lune Holdings S.à r.l as described in Note 11.3.2.

On December 12, 2022, Lune Parent S.à r.l. as shareholder of Lune Midco Lux SCA entered into call and put option agreements with some individuals whereby upon occurrence of a triggering event (as defined in the call and put option agreements), Lune Parent S.à r.l. has the option to acquire some of the securities of Lune Midco Lux SCA and respectively grants to these individuals the option to sell them, under the conditions stated in the call and put option agreements.

€36,621 k of trade receivables were transferred to the factoring company at the time of the last transfer of oustanding receivable balance in 2022.

Note 23 Staff

The total number of employees of the Group amounts to 1,475 as of December 31, 2022.

Note 24 Remuneration to management

No compensation has been paid the management.

Note 25 Related parties transactions

There is no related parties transactions.

Note 26 Going concern

The Management believes there is no indication of risk for the continuity of future operations and the consolidated annual accounts have been prepared based on a going concern assumption.

Note 27 Subsequent events

The revolving facilities drawdowns made during the year amounting to EUR 30 million has been subesequently repaid during the first quarter of 2023.

Reconciliation of 2022 Report Summary to Income Statement

2022 income statement	€ in thousands	*FSLI in Report Summary*
Net turnover	**1,635,014**	***Net Revenue***
Variation in stocks of finished goods and work in progress	**(3,099)**	***Total Operating Revenue***
Work performed by the undertaking for its own purposes and capitalised	**5,659**	***Total Operating Revenue***
Other operating income	**35,552**	***Total Operating Revenue***
Raw materials and consumables and other external expenses	**(1,144,013)**	***Total Operating Expenses***
Raw materials and consumables	(855,938)	
Other external expenses	(288,075)	
Staff costs	**(153,304)**	***Total Operating Expenses***
Wages and salaries	(83,545)	
Social security costs	(43,890)	
Other staff costs	(25,869)	
Value adjustments	**(118,593)**	***Total Operating Expenses***
In respect of formation expenses and tangible and intangible fixed assets	(97,620)	
In respect of current assets and provisions	(20,973)	
Other operating expenses	**(4,890)**	***Total Operating Expenses***
Other interest receivable and similar income	**13,750**	***Net Financial Income / Expenses***
Other interest and similar income	13,750	
Interest payable and similar expenses	**(35,254)**	***Net Financial Income / Expenses***
Other interest and similar expenses	(35,254)	
Tax on profit or loss	**(47,887)**	***Other Income / Expenses***
Profit or loss after taxation	**182,935**	

Income statement per FSLI in Report Summary	€ in thousands
Net Revenue	1,635,014
Total Operating Revenue	1,673,126
Total Operating Expenses	(1,420,800)
Operating Profit (Loss)	252,326
Net Financial Income / Expenses	(21,504)
Other Income / Expenses	(47,887)
Total Income	1,686,876
Total Expenses	(1,503,941)
Net Income	182,935

FY21 Combined K1 Group / Lune Parent P&L

	French GAAP		Unaudited Lux GAAP										
€ in thousands	Kem One SAS	K1 Group SAS	Other subsidiaries *(1)*	Combined	French to Lux GAAP adjustments	Other classification adjustments	Intercompany eliminations	Consolidated K1 Group	Lune Holdings *(2)*	Lune MidCo	Lune Parent	Consolidated Lune Parent	Combined
Sales of own goods	1,313,064	-	97,185	1,410,250	-	(10,545)	(116,805)	1,282,900	-	-	-	-	1,282,900
Sales of own services	52,784	-	4,982	57,766	-	10,545	(12,466)	55,845	-	-	-	-	55,845
Net Sales	1,365,849	-	102,167	1,468,016	-	0	(129,271)	1,338,745	-	-	-	-	1,338,745
Other Revenue	68,816	0	2,781	71,597	(2,181)	0	-	69,416	-	-	-	-	69,416
Operating Revenue	1,434,665	0	104,948	1,539,613	(2,181)	0	(129,271)	1,408,161	-	-	-	-	1,408,161
Operating Expenses	(1,223,930)	115	(100,883)	(1,324,698)	4,199	1	129,271	(1,191,227)	(3,450)	(6,504)	(118)	(10,071)	(1,201,298)
Operating Profit (Loss) Before Goodwill Impairment	**210,735**	**115**	**4,065**	**214,915**	**2,018**	**1**	**(0)**	**216,934**	**(3,450)**	**(6,504)**	**(118)**	**(10,071)**	**206,863**
Financial Income/Expense, net	(3,367)	149,576	88	146,296	(1,144)	0	(149,654)	(4,502)	(3,056)	-	1	(3,055)	(7,557)
Net Exceptional Items	5,490	-	(303)	5,187	5,329	(0)	-	10,515	0	-	-	0	10,515
Income Tax (X)	(29,090)	(1,364)	(751)	(31,204)	(915)	(0)	-	(32,119)	-	-	-	-	(32,119)
Net Income	**183,768**	**148,327**	**3,099**	**335,194**	**5,288**	**1**	**(149,654)**	**190,829**	**(6,505)**	**(6,504)**	**(117)**	**(13,126)**	**177,703**
Depreciation & Amortization	51,783	-	875	52,658	11,926	0	-	64,584	74	-	-	74	64,658
Income Tax	29,090	1,364	751	31,204	915	0	-	32,119	0	-	-	0	32,119
Interest (income)/expense	63	79	0	142	7	-	-	149	3,032	-	(0)	3,032	3,181
EBITDA	**264,704**	**149,770**	**4,725**	**419,198**	**18,136**	**1**	**(149,654)**	**287,681**	**(3,399)**	**(6,504)**	**(117)**	**(10,020)**	**277,660**

(1) Combined view of Kem One Italia, Kem One Hernani, Parapon, and Kem One Petrokimya.
(2) Consolidated view of Lune Bidco, Lune GP, and Lune Holdings, after eliminations and reclassifications.