



Groupe Berkem

Public limited company with a Board of Directors with capital of €29,173,056.75

Registered office: 20, rue Jean Duvert – 33290 Blanquefort, France

Bordeaux Trade and Companies Register 820 941 490

## REGISTRATION DOCUMENT



The Registration Document was approved on 9 November 2021 by the AMF, as the competent authority under Regulation (EU) 2017/1129.

The AMF approves this document after verifying that the information it contains is complete, consistent and understandable. The Registration Document bears the following approval number: L21-064.

This approval should not be considered as a favourable opinion on the issuer that is the subject of the Registration Document.

The Registration Document may be used for the purposes of a public offering of financial securities or the admission of financial securities to trading on a regulated market if it is supplemented by a securities note (*note d'opération*) and, where applicable, a summary and its supplement(s). The group thus formed is approved by the AMF in accordance with Regulation (EU) 2017/1129.

It is valid until 9 November 2022 and, during this period and no later than at the same time as the securities note and under the conditions set out in Articles 10 and 23 of Regulation (EU) 2017/1129, must be accompanied by a supplement to the Registration Document in the event of a significant new factor, material mistake or material inaccuracy.

*Copies of the Registration Document are available free of charge from the Company at 20, rue Jean Duvert – 33290 Blanquefort, France, as well as in electronic format on the Company's website ([www.groupeberkem.com](http://www.groupeberkem.com)) and on the website of the French Financial Markets Authority (Autorité des marchés financiers) ([www.amf-france.org](http://www.amf-france.org)).*

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## GENERAL NOTES

### *Definitions*

In this Registration Document, and unless otherwise indicated:

- the terms “Groupe Berkem” or “Company” mean the company Groupe Berkem, a public limited company (*société anonyme*) whose registered office is located at 20, rue Jean Duvert, 33290 Blanquefort, France, registered in the Bordeaux Trade and Companies Register under number 820 941 490;
- the term “Group” means the Company and its subsidiaries and sub-subsidiaries:
  - Berkem Développement, a simplified joint-stock company (*société par actions simplifiée*) whose registered office is located at 20, rue Jean Duvert, 33290 Blanquefort, France, registered in the Bordeaux Trade and Companies Register under number 481 604 197;
  - Berkem, a simplified joint-stock company (*société par actions simplifiée*) whose registered office is located at Marais Ouest, 24680 Gardonne, France, registered in the Bergerac Trade and Companies Register under number 393 274 824;
  - Adkalis, a simplified joint-stock company (*société par actions simplifiée*) whose registered office is located at 20, rue Jean Duvert, 33290 Blanquefort, France, registered in the Bordeaux Trade and Companies Register under number 790 216 030;
  - Lixol, a simplified joint-stock company (*société par actions simplifiée*) whose registered office is located at 525, boulevard de l’Industrie, 33260 La Teste-de-Buch, France, registered in the Bordeaux Trade and Companies Register under number 646 380 089;
  - Eurolyo, a simplified joint-stock company (*société par actions simplifiée*) whose registered office is located at 53, avenue d’Orléans, 28000 Chartres, France, registered in the Chartres Trade and Companies Register under number 393 274 824; and,
  - Berkem Inc., a corporation of the state of New Jersey with capital of US\$100, registered under number 13790454321 whose registered office is located at 60 Park Place, Military Park Building, 4th Floor Suite 405, Newark, NJ 07102, United States.
- The term “Registration Document” means this Registration Document approved by the AMF.

The Registration Document is prepared in accordance with Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 and presents the combined financial statements of Groupe Berkem prepared for the financial years ended 31 December 2020, 2019 and 2018.

A cross-reference table is provided at the end of the Registration Document to facilitate the reading of the Registration Document with respect to the format of the information required under Appendix I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and the Council of 14 June 2017.

### **Disclaimer**

#### *Market and competition information*

The Registration Document contains, in particular in Section 5 “*Overview of Activities*” information on the Group’s activities as well as the markets in which it operates and its competitive position. This information comes from studies carried out either by internal or external sources (e.g. industry publications, specialised studies, information published by market research companies, analyst reports). The Group believes that this information provides a true and fair view as of the date hereof of its reference markets and its competitive position in these markets. However, this information has not been verified by an independent expert and the Group cannot guarantee that a third party using different methods to collect, analyse or calculate market data would obtain the same results.

#### *Forward-looking information*

The Registration Document contains information on the Group’s outlook and development prospects. These indications are sometimes identified by the use of future or conditional tenses or forward-looking terms such as “estimate”, “consider”, “envisage”, “think”, “target”, “expect”, “understand”, “have to”, “aim”, “believe”, “hope”, “be able” or, where appropriate, the negative form of these same terms, or any other variation or similar terminology. This information is not historical data and should not be interpreted as a guarantee that the stated facts and data will occur. This information is based on data, assumptions and estimates considered reasonable by the Group. They may change or be modified due to uncertainties related to the economic, financial, competitive and regulatory environments. This information is mentioned in various paragraphs of the Registration Document and contains data relating to the Group’s intentions, estimates and objectives concerning, in particular, the markets in which it operates, its strategy, growth, results, financial position, cash flow and forecasts. Forward-looking information mentioned in the Registration Document is given solely at the date of approval of the Registration Document. The Group operates in a competitive and constantly changing environment. It cannot therefore anticipate all the risks, uncertainties or other factors liable to affect its business, their potential impact on its business or the extent to which the materialisation of a risk or a combination of risks could lead to significantly different results to those mentioned in any forward-looking information, it being noted that none of this forward-looking information is a guarantee of actual results. The Group makes no commitment to publish updates to this information or the assumptions on which it is based, with the exception of any legal or regulatory obligation applicable to it, in particular the AMF General Regulation and the Market Abuse Regulation.

#### *Risk factors*

Investors are invited to carefully read the risk factors described in Section 3 “*Risk factors*” of the Registration Document before making any investment decisions. The occurrence of all or part of these risks may have a material adverse effect on the Group’s business, financial position, results or outlook. In addition, other risks not yet identified or considered immaterial by the Group at the date of approval of the Registration Document could also have a material adverse effect.

#### *Rounding*

Certain figures (including data expressed in thousands or millions) and percentages presented in the Registration Document have been rounded. Where applicable, the totals presented in the Registration Document may differ slightly from those that would have been obtained by adding the exact (without rounding) values of these figures.

## **1. PERSONS RESPONSIBLE, INFORMATION FROM THIRD PARTIES, EXPERT REPORTS AND APPROVAL OF THE COMPETENT AUTHORITY**

### **1.1 Person responsible for the Registration Document**

Olivier Fahy, Chairman and Chief Executive Officer.

### **1.2 Statement by the person responsible**

I hereby certify that the information contained in this Registration Document is, to the best of my knowledge, accurate and does not contain any omissions that would alter its meaning.

Blanquefort,  
9 November 2021

Olivier Fahy  
Chairman and Chief Executive Officer

### **1.3 Expert report**

No report attributed to a person acting as an expert is included by reference in the Registration Document.

### **1.4 Information from a third party**

No statements or information from third parties are included by reference in the Registration Document.

### **1.5 Declaration on the Registration Document**

The Registration Document has been approved by the AMF as the competent authority under Regulation (EU) 2017/1129.

The AMF only approves this Registration Document as complying with the standards in terms of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129.

This approval should not be considered as a favourable opinion on the issuer that is the subject of the Registration Document.

### **1.6 Person responsible for the financial information**

Anthony Labrugnas  
Chief Financial Officer  
Address: 20, rue Jean Duvert – 33290 Blanquefort – France  
Telephone: +33 (0)5 64 31 06 60  
E-mail: [investisseurs@berkem.com](mailto:investisseurs@berkem.com)

## **2. STATUTORY AUDITORS**

### **2.1 Statutory Auditors**

#### 2.1.1 Principal Statutory Auditors

##### **VS AUDITEX SARL**

Represented by Simon Vezin

81 rue Hoche – 33200 Bordeaux – France

Member of the Bordeaux Regional Association of Statutory Auditors

Date of first appointment: 24 December 2020 to replace Simon Vezin, Joint Principal Statutory Auditor, who resigned

Current term of office: two financial years corresponding to the remaining term of his predecessor's term of office

Expiry of current term: at the close of the Annual Shareholders' Meeting held to approve the financial statements for the financial year ended 31 December 2021

##### **DEIXIS SAS**

Represented by Nicolas de Laage de Meux

4 bis Chemin de la Croisière – 33550 Le Tourne – France

Member of the Bordeaux Regional Association of Statutory Auditors

Date of first appointment: 23 December 2020

Duration of current term: six financial years

Expiry of current term: at the close of the Annual Shareholders' Meeting held to approve the financial statements for the financial year ended 31 December 2025

#### 2.1.2 Alternate Statutory Auditors

##### **Jean-Marc Maurette**

9 rue Matabiau – 31000 Toulouse – France

Member of the Toulouse Regional Association of Statutory Auditors

Date of first appointment: 14 January 2016 pursuant to the Company's Articles of Incorporation

Duration of current term: six financial years

Expiry of current term: at the close of the Annual Shareholders' Meeting held to approve the financial statements for the financial year ended 31 December 2021

##### **LEMPEREUR ET ASSOCIES AUDIT SARL**

Represented by Benoit Bobis

225 route d'Angoulême – 24000 Périgueux – France

Member of the Bordeaux Regional Association of Statutory Auditors

Date of first appointment: 23 December 2020

Duration of current term: six financial years

Expiry of current term: at the close of the Annual Shareholders' Meeting held to approve the financial statements for the financial year ended 31 December 2025

### **2.2 Information on the Statutory Auditors who resigned, were dismissed or were not renewed**

##### **Simon Vezin**

81 rue Hoche – 33200 Bordeaux – France

Member of the Bordeaux Regional Association of Statutory Auditors

Date of first appointment: 14 January 2016 pursuant to the Articles of Incorporation

Term of office: six years

Expiry of current term: at the close of the Annual Shareholders' Meeting held to approve the financial statements for the financial year ended 31 December 2021

Date of resignation: 24 December 2020



### 3. RISK FACTORS

Investors are invited to consider all of the information contained in the Registration Document, including the risk factors described in this section, before deciding to acquire shares in the Group. The Group has carried out a review of the risks that could have a material adverse effect on the Group, its business, its financial position, its results, its outlook or its ability to achieve its objectives. At the date of approval of the Registration Document, the Group was not aware of any significant risks other than those presented in this section.

However, the attention of investors is drawn to the fact that the list of risks and uncertainties described below is not exhaustive. Other risks or uncertainties that are unknown or whose realisation is not considered by the Group, at the date of approval of the Registration Document, as likely to have a material adverse effect on the Group, its business, its financial position, its results or its outlook, may exist or could become significant factors liable to have a material adverse effect on the Group, its business, its financial position, its results, its development or its outlook.

In accordance with the provisions of Regulation (EU) 2017/1129 (referred to as the “Prospectus 3” Regulation) and Delegated Regulation (EU) 2019/980, only risks specific to the Group, and which are important in making an informed investment decision, are presented in this section. The main risk factors are grouped into six categories in the table below. Within each category, the risk factors are presented in descending order of risk importance, which is the result of the probability of the risk and its impact in the event of its occurrence, according to the Group's assessment, taking into account the risk management measures in place at the date of approval of the Registration Document. The occurrence of new events, either internal to the Group or external, may change this order of materiality in the future.

<i>Name of risk</i>	<i>Probability of occurrence</i>	<i>Risk magnitude</i>	<i>Risk importance</i>
<b>Risks related to the Group's activity</b>			
• Risks of failure in the development or commercialisation of new products	Medium	High	High
• Industrial risks			
- Risks of a major industrial accident	Low	High	High
- Risk of pollution on a site, during the storage of a product or its transport and the impact of hazardous products on health and the environment	Low	High	High
- Risks related to a decline in performance or malfunctions of industrial facilities	Low	Low	Low
• Risks of supply failure and changes in raw material costs	Medium	Medium	Medium
• Risks of customer dependency	Low	Medium	Medium
• Risks of product non-compliance	Low	Medium	Medium
<b>Risks related to the market in which the Group operates</b>			
• Risks related to the development of competition	Low	Low	Low
<b>Risks related to the Group's organisation</b>			
• Risks related to external growth transactions	Medium	Medium	Medium
• Risks related to the Group's organic growth	Medium	Medium	Medium
• Risks related to the concentration of executive and operational powers	Low	High	Medium
• Risks related to dependency on key employees	Medium	Low	Medium

<b>Regulatory and legal risks</b>			
• Risk of loss of operating and marketing authorisations	Low	High	High
• Risks related to the Group's intellectual property and know-how	Low	High	High
• Product liability risks	Low	High	High
• Risks related to the various international and local regulations to which the Group is subject and potential changes therein	Medium	Medium	High
• Insurance coverage default risks	Low	Medium	Medium
<b>Risks related to disruptions due to the Covid-19 pandemic</b>			
• Risks related to the Covid-19 pandemic	Medium	Medium	Medium
<b>Financial risks</b>			
• Liquidity risks	Low	High	High
• Risks related to the impairment of the Company's intangible assets	Low	Medium	Low
• Interest rate risk	Low	Low	Low

### 3.1 Risks related to the Group's activity

#### 3.1.1 Risks of failure in the development or commercialisation of new products

As part of the implementation of its growth strategy, which is based in particular on the development of new products or new product ranges, the Group conducts projects that mobilise significant human and financial resources. This strategy requires the Group to anticipate markets and applications to be targeted as well as the nature of the plant extracts and formulations to be made. The Group must also anticipate the outcome of R&D and industrial processes and the response of end markets to these innovations.

Between 2018 and 2020, the Group's R&D expenditure (Research Tax Credit and Innovation Tax Credit) represented annual investments of between €3.6 million and €3.9 million, i.e. between 8% and 10% of the Group's average combined turnover over the period. In the first half of 2021, the Group's R&D expenses amounted to €1.5 million, or 6% of turnover.

Despite the investments made, the Group may be unable to develop new products and applications or develop new production processes. The testing phases can be long and may involve failures in the development of formulations and plant extracts with the desired properties and characteristics. Achieving an optimal and stable industrial process can also take time to perfect. It cannot be ruled out that the completion of these projects may (i) be significantly delayed, (ii) result in higher expenses than those initially budgeted by the Group, or (iii) result in failure. Consequently, the Group cannot guarantee that the development of its innovative products, whether existing or future, will be successful and allow them to be marketed, or that such results will occur within a timeframe compatible with market needs.

In addition to innovation, the Group's development is based on its ability to successfully market its products, either directly or through distributors. New products or new product ranges may fail to prove attractive to customers due to a lack of innovations considered by customers to be major compared to existing products, a price positioning that does not correspond to customer expectations, or insufficient data from assessment studies on environmental risks or adverse effects on people. This could lead to a slower marketing pace, below the Group's expectations, or even the need to interrupt the Group's marketing of new products or new product ranges due to a lack of sufficient demands.

In order to limit its risks, prior to any significant development, the Group carries out market analyses involving its sales and R&D teams. In addition, the majority of the Group's innovations are oriented

towards sustainable development and its environmental and societal challenges, with in particular the ramp-up of the ranges of plant extract products offered by the Group or the development of bio-sourced products. Lastly, a significant portion of the developments carried out, particularly in terms of plant extraction, is carried out on behalf of customers wishing to develop sub-contracted products, limiting *de facto* the marketing risk for the Group due to the fact that it is the product of the customer that does not have the expected success and thus impacts the anticipated production volumes.

All of these risks could weigh on the Group's competitiveness and growth prospects or the expected profitability of its investments and thus have an adverse impact on its business, results and financial position.

### 3.1.2 Industrial risks

#### 3.1.2.1 Risks of a major industrial accident

Due to the nature of its activities and the hazardous nature, toxicity or flammability of certain raw materials or products, accidents of any type (including explosion and fire) could occur at the Group's facilities, storage centres or depots used by the Group or during the transport of various products and raw materials. The origins of these accidents could be due to operational incidents or external events such as natural disasters or malicious acts.

In particular, the Group operates the Gardonne site, classified as low-threshold SEVESO (as defined by Directive 2012/18/EU of the European Parliament and of the Council of 4 July 2012 on the control of major hazards involving dangerous substances), which houses Berkem's plant extraction activities and Adkalis' formulation activities. In addition, the Group also operates other production or research and development sites (Blanquefort for R&D activities and La Teste-de-Buch for its alkyd resin production carried out by Lixol), which are not classified sites under the regulations but where a major disaster could nonetheless occur due to the use, manufacture and storage of hazardous and flammable substances. The Chartres site, where Eurolyo carries out its freeze-drying activity, does not present any specific risk of a major industrial accident.

Sales of the Group's products manufactured on the classified site of Gardonne represented around 82% of the Group's combined turnover in 2020, it being specified that a part of the production could be subcontracted in the event of a major incident on the site and that the Group also benefits from operating loss insurance covering 18 months of activity for plant extraction and six months of activity for other products.

On 24 June 2021, an incident occurred at the Lixol site, based in La Teste-de-Buch. A detonation followed by a water vapour leak from a reactor containing an alkyd resin in process was observed. Following the incident, the reactor workshop in Teste-de-Buch was closed and the two reactors on the site were temporarily removed from service so that they could be fully inspected and repaired and the workshop structures, equipment and materials could be inspected and refurbished. At the date of this document, the reactor is under repair by the Group's service provider and the repair is expected to be covered by insurance. The reactor workshop is expected to return to service before the end of 2021 (for details, refer to section 10.1 of the Registration Document).

At the date of approval of the Registration Document, the Group has not experienced any other major industrial accidents on its industrial sites or during the transport of its products.

Although the Group anticipates reopening the workshop before the end of 2021 and returning to pre-incident production levels during the first quarter of 2022, the workshop's return to service and/or the return to pre-incident production levels may take longer than expected by the Group. If the Group is unable to return its workshop to service before the end of 2021, the operating losses in 2022 may not be covered by its insurance (which only covers six months of operating losses). A significant delay could

have an adverse impact on Lixol's revenue and margins in 2022 and could also, if the Group is not able to deliver to its customers within a reasonable time frame, lead to a loss of customers.

Any accident, whether at one of the production sites or during transport, could adversely affect the operation of certain production units on its industrial sites or cause production delays, or even halt all production on the affected site for an extended period of time (destruction of production site, production equipment, products or stored raw materials) and could lead to significant losses in turnover and earnings for the relevant activities or result in significant additional costs, in particular due to the necessary investments to obtain administrative authorisations again, the amount of insurance deductibles or damage not covered by insurance policies (refer to section 3.4.5 of the Registration Document) and the possible cost of subcontracting a part its production. The Group could also be held liable for (i) damage caused to people (employees or local residents) and/or property, or (ii) damage to natural resources (refer to section 3.1.1.2 of the Registration Document). Any accident could also give rise to claims for contractual or tortious liability (particularly in the context of transportation of products in capacity as shipper for the Group). In addition to the financial aspects, management of the consequences of such incidents in an inappropriate manner could also have a negative impact on the Group's image.

In order to best prevent the risks of major industrial accidents, the Group has defined and updated scenarios enabling it to assess these risks and anticipate the consequences of any such events occurring. As part of its prevention actions, all Group facilities and activities are subject to a joint safety management process conducted by the Group's Management and QHSE (Quality, Health, Safety and Environment) teams.

To minimise the risk of accidents, the Group has put in place a safety management system (hereinafter referred to as "SMS") for the prevention and treatment of major industrial accidents; this sets out its commitment to:

- apply demanding industrial safety standards, in accordance with sector practices and regulatory provisions;
- implement the recommendations of the administrative authorities, e.g. DREAL<sup>1</sup>, following the various inspections conducted by such authorities at its industrial facilities;
- conduct control and audit assignments (internal and external) to ensure the effective implementation of its obligations and implement any recommendations of these audits;
- select appropriate equipment for any incidents that might occur (ATEX protection<sup>2</sup>);
- carry out regular maintenance and checks on the proper operation of equipment;
- ensure that all incidents, however minor, are followed up and conduct a detailed analysis of their causes to avoid any recurrence;
- implement an awareness-raising policy for all personnel and employee training (monthly training exercises); and
- use specialist certified transporters.

Lastly, in order to best manage potentially critical situations that may arise within the Group's sites or during transport accidents, the Group has defined crisis management procedures at its various sites.

Despite all procedures implemented to minimise the risk of a major industrial accident, the occurrence of a major such accident would have a significant negative impact on the image, business, financial position, results, development and outlook of the Group.

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<sup>1</sup> Regional and Inter-Departmental Environment Directorate

<sup>2</sup> Explosive Atmosphere material

### 3.1.2.2 Risk of pollution on a site, during the storage of a product or its transport and the impact of hazardous products on health and the environment

Although regularly audited by the regulatory authorities, the Group cannot exclude the possibility that its activities (which involve in particular the storage, handling, use, processing, production and transport of materials that are hazardous for people or the environment (solvents and flammable materials in particular)) could result in:

- damage to health either on a given occasion or over time, in particular due to the regular handling by employees or any third party working for the Group of hazardous products or raw materials during the R&D, production or transport phases; and
- environmental damage (soil, water or air pollution) as a result of the production, storage or transport of hazardous materials.

Any risk of pollution on a site, depot or during transport, and any impact on health or the environment of hazardous products could have a significant adverse effect on the business, financial position, results, outlook or image of the Group. The Company and/or its subsidiaries and their managers could also be exposed to legal proceedings. In addition, the Group cannot exclude the possibility that its liability may be sought beyond the limits guaranteed by insurance or for damage not covered, in the case of health and environmental claims (refer to section 3.4.5 of the Registration Document). The safety of the Group's employees, the employees of its subcontractors (transporters in particular), local residents close to the Group's industrial sites and the protection of the environment are therefore permanent concerns of Groupe Berkem.

Although the Group believes that the safety measures it takes for the handling, storage and treatment of hazardous materials meet the standards prescribed by the laws and regulations in force and enable its employees and subcontractors to carry out their activities in good environmental, health and safety conditions, the risk of accidental contamination or occupational disease, related to direct and repeated handling of hazardous materials cannot be completely eliminated.

The Group has implemented procedures as part of its SMS (refer to section 3.1.1.1) and is working in collaboration with occupational health to minimise these risks. This collaboration with occupational medicine aims, for example, to prevent the risks of occupational illnesses linked to poor workstation ergonomics (e.g. musculoskeletal disorders) or the brightness of buildings for night-time workers (in particular diabetes, obesity or cardiovascular disorders). To date, the Group has not been confronted with this type of problem.

On environmental aspects, the Group believes that the safety measures it takes for the storage, production and transport of materials meet the standards prescribed by the laws and regulations in force to avoid any cause leading to soil, water or air pollution. As with health measures, the Group has put in place procedures as part of its SMS (refer to section 3.1.1.1 of the Registration Document) to minimise the risks of pollution and environmental damage and is subject to regular inspections by administrative authorities.

The Group pays particular attention to the La Teste-de-Buch and Gardonne sites due to the fact that:

- Lixol, a company specialising in resins, operates the La Teste-de-Buch site close to both agricultural and urban areas; and
- environmental regulations concern not only the Group's activities and sites in operation, but also past activities and as such, the historic site of Gardonne still has pollution residues, which originate prior to the Group's acquisition of the industrial site. The Group is continuing its decontamination treatments. These pollution residues are monitored monthly and the results are sent to DREAL and the prefecture. Each year, the Group records pollution control expenses and has taken out insurance to cover these expenses. The Group has also taken out civil liability insurance for damage to the environment (refer to section 3.4.5 of the Registration Document).

Despite all the procedures implemented to minimise pollution risks, the occurrence of such a risk would have a significant negative impact on the Group's image, business, financial position, results, development and outlook.

#### 3.1.2.3 Risks related to a decline in performance or malfunctions of industrial facilities

Over the years, the Group has built up industrial facilities that it considers high-performing, resulting from successive improvements aimed at maximising the yields and quality of the active ingredients produced.

The Group currently has three production sites (Gardonne, La Teste-de-Buch and Chartres), on which industrial equipment, with a relatively long lifespan, meets high quality standards and uses advanced technological resources.

The Group could nevertheless face a decline in operational performance or breakdowns of the industrial facilities causing a drop in productivity or product quality that could necessitate restarting the production of a new batch and cause operating losses.

To avoid the occurrence of such risks, the Group has a team of around 10 people dedicated to the maintenance of its production sites, which regularly ensures the proper functioning of its facilities and carries out targeted preventive upgrades to its different equipment to avoid obsolescence and ensure the industrial facilities retain their high performance. In addition, all production equipment at the Group's industrial sites is connected and controlled remotely by the maintenance team. A failure of this connected management of the production facilities (due, in particular, to a breakdown in the Group's information system) could render inoperative all or part of the control and maintenance processes in place (refer to section 5.5. of the Registration Document).

The production facilities consist of a number of independent and multi-purpose lines, which limits the risk of prolonged and simultaneous production stoppages for the Group's various products. In the case of prolonged production stoppages, the Group has identified subcontractors who could each perform one (or more) specific tasks within the various production processes; production processes would in such case be suboptimal.

Other than the partial removal from service of its Lixol production site following the June 2021 incident, the Group has not to date experienced any significant incident following a partial or total malfunction of its industrial facilities. It is also insured against operating losses (refer to section 3.4.5 of the Registration Document). Nevertheless, the occurrence of the risks described in this paragraph would have a material adverse impact on the Group's image, business, financial position, results, development and outlook.

#### 3.1.3 Risks of supply failure and changes in raw material costs

The products required for the Group's plant extraction and formulation activities are varied and as a result, the Group uses a large number of suppliers to source raw materials. However, for some products, the number of suppliers may be very small.

In fact, for the financial year ended 31 December 2020, the largest supplier represented 7.1% of total Group purchases, the three largest suppliers represented 13.8% of purchases and the ten largest suppliers represented 32.1%. At 30 June 2021, the largest supplier represented 10.4% of total Group purchases, the top three 25.4% and the top ten 53.6%.

The supply of any of the raw materials required by the Group (whether plant-based raw materials or synthetic chemical products such as biocides) could be reduced or interrupted. If this were the case, the Group might not be able to find other suppliers of quality raw materials, in appropriate volumes and at an acceptable cost. If its suppliers fail or if its supply of raw materials is reduced or interrupted, the

Group may no longer be able to market some of its products or meet the specific demands of some of its customers.

The Group's Purchasing Department endeavours to set up supplies with its strategic providers in order to control prices and ensure reliability of quantities and to seek to diversify its sources as much as possible. However, certain raw materials, in limited numbers, have sources of supply that are difficult to diversify, which can lead to pressure on prices or the quantities available for quality products.

Likewise, the supply of biocidal products for Adkalis, for which few suppliers hold marketing authorisations for their molecules in Europe (listed in Annex 1 of the European Biocidal Products Regulation), may experience tensions. Adkalis finds itself in competition with the agricultural sector, the main user of biocides, which can have a significant impact on product prices and available quantities. In the event of a shortage of biocides, European regulations authorise the occasional use of products not usually authorised in the European Union. To provide an initial response to these tensions over biocides supplies, Adkalis has developed a range derived from plant extraction. In addition, the Group is developing a wide range of products that comply with the requirements of Annex 1 of the European Biocidal Products Regulation, incorporating a large proportion of plant-based boosters in order to significantly reduce the concentration of synthetic biocides.

As the Group uses raw materials of plant origin, there is a supply risk and a risk to the quality of the plant extract obtained, in view of natural risks (storms, floods, drought, etc.) and climate change that may affect the quantity, quality, yield and final characteristics of products. The Group has therefore sought to develop its sourcing capabilities in recent years in order to be less dependent on a small number of suppliers and to improve its industrial facilities to increase its productivity and the quality of its plant extracts and be less dependent on the quality of harvests.

While overall the Group has not observed significant price changes for the majority of the raw materials it uses, this may occur occasionally depending on the scarcity of the supply sought or for certain ranges of raw materials, including prices that are correlated with the price of oil. In particular, following the Covid-19 pandemic and if the international economic recovery is sustained, the Group does not rule out the intensification of scarcity phenomena for certain products due to increased global demand. Increases in raw material costs are usually passed on in the selling prices of the Group's products; however, the Group cannot guarantee that it will in the majority of cases, in the future, be able to pass on any increase in the cost of raw materials in the selling price of its products and thus maintain its gross margin over time for all of its products. As of the date of the Registration Document, the Group has not encountered supply difficulties caused by the Covid-19 pandemic and the measures taken to contain it.

These events could affect the Group's business, financial position, results, development and outlook.

#### 3.1.4 Risks of customer dependency

The Group has an active base of around 1,600 customers in various sectors such as agrifoods, cosmetics, chemicals, construction, the timber industry, paint and public hygiene.

The Group's three largest customers together accounted for at least 24% of combined turnover in 2020, 2019 and 2018. For the six months ended 30 June 2021, the top three customers represented 17.2% of Group combined turnover. The Group's largest customer accounts for around half of the combined turnover of the Plant Extraction division (see section 5.4.1). The loss of one of these customers, or a significant reduction in sales to one of these customers, could have a significant impact on the Group and its results. With the exception of these main customers, the Group has no particular dependency on any customers. The top fifteen customers represented between 25.5% and 40% of the Group's combined turnover, respectively, during the period covered by the Registration Document with good sectoral and geographic diversity and a year-on-year change in the composition of the customer base beyond the top five customers.

Top 15 customers	As a % of combined turnover (2018-2019-2020) and Pro Forma H1 2021			
	First half of 2021	2020	2019	2018
Customer No. 1	10.5%	14.7%	13.9%	18.45%
Customer No. 2	5.0%	5.3%	6.9%	6.95%
Customer No. 3	1.7%	4.2%	4.3%	3.84%
Customer No. 4	1.5%	2.6%	2.1%	1.94%
Customer No. 5	1.4%	1.7%	1.5%	1.53%
Customer No. 6	1.1%	1.6%	1.2%	0.94%
Customer No. 7	0.7%	1.5%	1.1%	0.91%
Customer No. 8	0.7%	1.4%	1.1%	0.80%
Customer No. 9	0.5%	1.1%	1.0%	0.76%
Customer No. 10	0.5%	1.1%	1.0%	0.72%
Customer No. 11	0.4%	1.0%	0.8%	0.70%
Customer No. 12	0.4%	1.0%	0.8%	0.65%
Customer No. 13	0.3%	1.0%	0.7%	0.58%
Customer No. 14	0.3%	0.9%	0.7%	0.58%
Customer No. 15	0.3%	0.8%	0.7%	0.56%
<b>TOTAL TOP 15</b>	<b>25.5%</b>	<b>39.9%</b>	<b>37.8%</b>	<b>39.92%</b>

The Group's customers include large multinationals, medium-sized companies and SMEs in various business sectors. Some of these sectors require the Group's customers to obtain or maintain regulatory authorisations in order to market their end products. The majority of customers have a solid financial base in relation to the orders placed. The percentage of unpaid debts for financial years 2018, 2019 and 2020 was not significant: around 10 unpaid bills per year, cumulatively representing less than 0.1% of turnover. The Group has recorded provisions for doubtful debts in an amount of €78 thousand in 2018, €86 thousand in 2019 and €21 thousand in 2020. In the event of a debt collection problem, the Group calls on a company specialising in this area.

The average payment terms granted to the Group's customers are adapted to the practices of each country but, with some exceptions, do not exceed 90 days from delivery. In certain cases and depending on the analysis of country risk, down payments of up to 100% are required when ordering to avoid any risk of non-payment. In addition, the Group has assigned trade receivables. The amount of these receivables assignments at 31 December 2020, 2019 and 2018 was €4,565 thousand, €3,561 thousand and €3,969 thousand respectively. This amount was €6,330 thousand as of 30 June 2021.

The occurrence of customer dependency risks could affect the Group's business, financial position, results, development and outlook.

### 3.1.5 Risks of product non-compliance

Non-compliance of products or non-compliance with contractual commitments in terms of technical specificities of products is liable to entail additional costs for the Group related to the launch of a new production run or even destruction of the products concerned, but could also have a negative impact, immediately or in the future, on the Group's turnover and results, as well as, where applicable, result in litigation and a negative perception of the Group's image.

In order to reduce the risk of product non-compliance, the Group has set up a quality organisation that analyses incoming and outgoing products based on the ISO 9001 quality system, for which Groupe Berkem has been audited annually since 1996. Thus, in the event of non-compliance of raw materials that would lead to non-compliance of the Group's products, delivery is systematically refused. In the event of non-compliance of the Group's finished products, the production process is restarted in order to produce a compliant product. Non-compliant products for a specific application are either destroyed



or reprocessed and kept in inventory for reuse in the production of another active ingredient, where possible.

This risk of product non-compliance principally concerns resins produced by Lixol and Adkalis' solutions for the treatment and protection of materials, due to the nature of the products they market. Adkalis also offers a guarantee of between five and ten years for some of these wood treatment and protection products.

The Group's general terms and conditions of sale do not provide for compensation for co-contractors in the event of product non-compliance. Nevertheless, the Group may, on a commercial basis, decide on measures such as taking back delivered batches. Finally, the Group has never had significant difficulties due to non-compliant products.

The occurrence of product non-compliance risks could affect the Group's business, financial position, results, development and outlook.

## **3.2 Risks related to the markets in which the Group operates**

### **3.2.1 Risks related to the development of competition**

The products developed by the Group are positioned in the specialty chemicals markets, mainly for applications in the agrifoods, cosmetics, construction, timber industry and public hygiene sectors, for which there may be competing and/or alternative solutions.

While the Group has seen few technological changes in its markets in recent years, given that alternative production processes often confer other characteristics on products for uses other than those specified by the Group, Groupe Berkem's various operating subsidiaries may be faced with the development of new production processes or the significant improvement of existing industrial processes that increase productivity (increased volumes, reduction in production time and costs, etc.) or product quality, which could impact the Group's competitive positioning.

The Group strives to continuously improve its production processes by increasing production yields while limiting environmental impacts (reductions in water and energy consumption as well as emissions of volatile organic compounds).

Overall, the main markets in which the Group operates (plant extraction, formulation of biocides and resins) are still fragmented despite a strong consolidation trend over the last 10 years. Among the players operating in these sectors, two categories can be distinguished (see section 5.3.2. Of the Registration Document):

- a multitude of small and medium-sized players with niche positions;
- a few large international specialty chemicals groups with positions in commodity markets (more standardised formulations, common plant extracts).

Players in the latter category, either directly as part of a desire to diversify their activities into products with higher margins, or indirectly following the acquisition of a smaller player positioned in markets close to those of the Group, could start to compete with Berkem, Adkalis or Lixol on all or part of their products. These players have much greater resources than the Group, which could facilitate their establishment in these markets and reduce the Group's technological lead:

- much larger balance sheet size giving them greater financial capacity;
- larger budgets allocated to research and development, marketing of their products and protection of their intellectual property;
- greater experience and resources in product launch, promotion, marketing and distribution;
- larger networks of partners and distributors;
- stronger international presence and reputation.

The Group's strategy is also based in part on external growth transactions that could increase the size of the Group over time and reduce its competitive disadvantage; however, the success of such a strategy cannot be considered certain (see section 3.3.2. of the Registration Document).

The risk of new entrants appearing in the Group's main target markets is however relatively limited for the following reasons:

- regulatory standards are increasingly restrictive and require strong internal organisation both in terms of quality assurance and industrial facilities. Moreover, the Group holds marketing authorisations (MAs) for its formulation activities for which the process of obtaining approval from the various regulatory authorities is relatively long and complex;
- technological constraints are significant both in terms of business know-how (supply of raw materials, industrial processes, etc.) and capacity for innovation (products from plant extraction, for example);
- natural specialty products of plant origin meet very detailed specifications drawn up in close collaboration with customers, in particular through a co-development process, often within very long lead times, which therefore cannot be substituted by a competitor's product portfolio.

The Group's business, financial position, results, development and outlook could be significantly affected by the occurrence of these risks.

### **3.3 Risks related to the Group's organisation**

#### **3.3.1 Risks related to external growth transactions**

In the past, the Group has made several acquisitions of third-party companies and assets, including more recently Lixol and Eurolyo (refer to section 5.1.3 of the Registration Document). The Group's strategy is to grow both organically and through external growth operations. The Group therefore expects to acquire new companies or assets in the future.

The Group targets companies operating in niche markets with high added value offers and limited resources. The Group's strategy aims to:

- bring newly acquired companies up to the Group's industrial standards (investment in upgrading to Group standards, automation of production lines, development of product R&D, discontinuation of subcontracting, etc.);
- increase their production capacities and productivity;
- generate synergies between the Group's various entities (marketing, innovation or technical know-how).

The Group cannot guarantee that it will be able to identify the best opportunities and make these acquisitions, or that it will be able to successfully integrate the companies or assets so acquired and bring them up to the Group's standards. Any problems encountered by the Group in the integration of third-party companies or assets may have a material adverse effect on the Group's business, financial position, results, development and outlook.

In addition, the acquisition of third-party companies or assets could impose significant costs on the Group. Prior to acquisition operations, the Group ensures that it (i) carries out a certain number of audits, in particular environmental audits, in order to detect potential pollution problems at sites, and (ii) negotiates liability guarantees with the assignors. The Group cannot guarantee that, despite the performance of these various audits and the coverage of risks with liability guarantees, it will not suffer the financial consequences of an operational, industrial or environmental problem in newly acquired companies or assets whose liability guarantees could prove insufficient. At the date of the Registration Document, the Group has never encountered problems related to the enforcement of liability guarantees.

Groupe Berkem could also have to finance such acquisitions by borrowing or issuing equity securities, which could cause it to take financial risks and be subject to certain restrictions or have a dilutive impact for its shareholders. In addition, financial ratios (with which the Group must comply in view of its

existing debt or be expected to comply with in view of future borrowings) could limit the Group's ability to achieve its external growth strategy.

The Group's business, financial position, results, development and outlook could be significantly affected by the occurrence of one or more of these risks.

### 3.3.2 Risks related to the Group's organic growth

As part of its development strategy, in addition to having to recruit additional staff, the Group may have to develop its operational and industrial capacities, notably its production capacities and the organisation thereof, which could mobilise a significant amount of its internal resources and require heavy investments. In particular, the Group may have to:

- develop new production units or install new equipment (reactors, dryers, evaporators, atomisers, settling tanks, ovens, purification columns, stirrers, powder mixers, in-line dispersers, freeze-dryers or packaging units) to increase its production capacity or its productivity at the Blanquefort, Gardonne, La Teste-de-Buch or Chartres sites;
- increase its storage capacity for raw materials and finished goods (on-site or with specialist logistics service providers, given the regulatory constraints on maximum on-site storage);
- further increase shift work at its production sites on a 3x8 or 5x8 rotation;
- internationalise its sales forces (particularly in Eastern Europe, North America, West Africa and Southeast Asia).

To this end, the Group will notably need to:

- anticipate demand for its products and the revenues this is likely to generate;
- train, manage, motivate and retain a growing number of employees;
- anticipate expenses related to this growth and the associated financing needs; and
- increase the capacity of its existing operational, financial and management IT systems.

The Group's inability to manage its growth, or unexpected operational difficulties encountered during its expansion, could have a material adverse effect on its business, results, financial position, development and outlook.

### 3.3.3 Risks related to the concentration of executive and operational powers

Olivier Fahy directly and indirectly holds all the capital and voting rights of the Company on the date of approval of this Registration Document, with the exception of one share held by Stanislas Fahy (Director of the Company). In addition, as Chairman and CEO and founder of the Company, Olivier Fahy has a strategic operational role. At the end of the proposed IPO, he will retain the majority of the capital and voting rights, which may lead to a *de facto* limitation of the shareholder body's control and its countervailing powers in operational decisions.

To ensure that control of the Company is not exercised in an abusive manner, three independent directors were appointed by the Shareholders' Meeting of 8 March 2021. In addition, with a view to listing its shares on the Euronext Growth Paris market, the Company has undertaken an overall review of corporate governance practices. The Company has chosen the Middlednext Corporate Governance Code as published in September 2021 as a reference code to which it intends to refer once its shares are listed on the Euronext Growth Paris market. This code is available on the Middlednext website (<https://www.middlednext.com/>). The Company already complies with most of the recommendations of the Middlednext Code (refer to section 14.4 of the Registration Document).

The Group's business, financial position, results, development and outlook could be significantly affected by the occurrence of one or more of these risks.

### 3.3.4 Risks related to dependency on key employees

The Group's success depends largely on the involvement and expertise of:

- Olivier Fahy, Chairman and Chief Executive Officer of Groupe Berkem, who plays an essential role in the definition and implementation of its strategy with his dual role as executive and reference shareholder;
- the management team in key positions (refer to section 5.7.6. of the Registration Document).

The loss of their skills could affect the Group's ability to achieve its objectives and implement its strategy.

The temporary or permanent unavailability of these people could lead to:

- loss of know-how and the weakening of certain activities, which would be heightened in the event of transfer to the competition; or
- shortcomings in terms of technical and commercial skills that could slow down the business and ultimately affect the Group's ability to achieve its objectives.

In order to reduce this risk, the Group has set up Management Committees in each of its subsidiaries in 2020 which were previously only at Group level.

The continued development of the Group and the launch of new projects or new technological building blocks will lead it to recruit qualified scientific, commercial and technical personnel, including senior profiles, given the strategic challenges. However, the Group will be in competition with other companies in its business sector, research organisations and academic institutions to recruit and retain such personnel. To the extent that this competition is intense, the Group may not be able to attract or retain these key personnel on terms that are economically acceptable.

The Group's inability to attract and retain these key individuals could prevent it from achieving its objectives overall and thus have a material adverse effect on its business, results, financial position, development and outlook.

In order to limit this risk, the Group has put in place:

- contractual arrangements specific to its business and in accordance with labour law (transfer of intellectual property, confidentiality);
- a policy of employee motivation and retention in the form of variable compensation based on the Group's performance.

### **3.4 Regulatory and legal risks**

#### **3.4.1 Risk of loss of operating and marketing authorisations**

The Group's industrial sites are subject to increasingly stringent rules in terms of environmental protection (protection of nature, waste management, etc.), health (workstations, chemical risks of products, etc.) and personal safety (refer to section 9 of the Registration Document). These rules may change over time to become increasingly demanding.

The Group has three production sites. The La Teste-de-Buch site is subject to an annual declaration of the tonnage present on the site to the DREAL. The Gardonne site is classified as low-threshold SEVESO and is a facility classified for environmental protection purposes and subject to authorisation. The role of various administrations is to validate the activities that the Group wishes to undertake on its production sites, in particular the Gardonne site, and to monitor their proper implementation and operation. The Prefecture of Dordogne, assisted by the DREAL, notably issues the prefectural order granting the operating license for the Gardonne low-threshold SEVESO site. The DDCSPP<sup>3</sup> ensures compliance with regulations and guidelines for finished goods or ingredients placed on the market, and controls the processing chains, from the supply of materials to marketing. ANSES<sup>4</sup> is responsible for

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<sup>3</sup> Departmental Directorate for Social Cohesion and Population Protection (formerly DGCCRF)

<sup>4</sup> National Health and Safety Agency for food, the environment and work

studying the files of products requiring marketing authorisations in France, which in the case of the Group concern the products of its subsidiary Adkalis.

In the event of a major regulatory change or an audit of the Group's products and industrial sites that were to indicate a significant deviation from the regulations and standards to which these sites and products are subject, the Group could lose its operating licenses for its industrial sites and the marketing of its products or, failing that, may have to quickly comply with the various regulations and standards, which could require significant investments. This would have a material adverse effect on the Group's business, outlook, financial position, results, development and image.

However, the Group believes that these risks are low, as the Group has never been in such a situation, and the frequent checks carried out by the various administrative authorities on which it depends have not raised any significant issues requiring material upgrades to meet standards. Groupe Berkem and its subsidiaries work in close collaboration with regulatory bodies, enabling the Group to develop positively in the demanding and strict chemical industry. The Group's Regulatory and QHSE teams ensure that the raw materials used, finished goods, buildings, equipment, processes and procedures all comply with regulations, standards and other requirements.

Nevertheless, the Group's business, financial position, results, development and outlook could be significantly affected by the occurrence of one or more of these risks.

#### 3.4.2 Risks related to the Group's intellectual property and know-how

Groupe Berkem is developing a growth strategy through innovation with its own R&D laboratories. In line with industry practice, the Group files few patents and favours a strategy that ensures the confidentiality of its formulations and industrial know-how. Thus, the majority of the Company's inventions are not patented. The Group considers that the protection conferred by patents, although substantial, is not total, on the one hand because there is always a risk of copying a process or a formulation and that when patents expire, the Group's innovations then fall into the public domain and are therefore easily usable. The registration of trademarks and domain names for its main ranges and subsidiaries is an integral part of the Group's strategy.

However, the Group has several families of patents (refer to section 5.6.2 of the Registration Document). The Group is not dependent on any particular patent or patent family.

The Group conducts active monitoring and prior art searches by its R&D teams and is supported by a specialised firm to:

- ensure that the Group is able to freely exploit its products without infringing patents, other intellectual property rights or the research and development efforts of third parties, and without third parties infringing in particular the Group's intellectual property rights;
- maximise the chances that its applications will result in registrations by intellectual property offices;
- reduce the risk of an appeal on the validity of a patent or on the enforceability or circumvention of a patent by a competitor.

The Group also registers trademarks and domain names for its main product ranges and its subsidiaries. The brands and the operation of the Group's websites are an integral part of the Group's marketing and sales strategy. Groupe Berkem and its subsidiaries are therefore particularly careful to ensure that its brands are not counterfeited because, in addition to the immediate negative impact on the Group's results, this could harm the reputation and quality of the products concerned, as well as the Group's overall image. As with its patent applications, the Group is assisted by specialist trademark and domain name management firms to avoid any risk of infringement of its rights.

Non-patented and/or non-patentable proprietary technologies, processes, production methods, know-how and data are considered as trade secrets that the Group strives to protect as much as possible. The Group does not exchange its know-how, processes and production methods with its customers or other

partners. The Group favours internal developments to ensure confidentiality is maintained and does not use subcontractors or research partnerships for strategic industrial and R&D know-how. The Group also protects itself by signing confidentiality agreements.

The Group's rights to its patents, trademarks, domain names, related applications and other intellectual property rights, as well as the measures taken to maintain the confidentiality of the Group's know-how may not provide the expected protection against competition. The Group cannot guarantee with certainty:

- that pending applications for patents, trademarks and other rights will effectively result in the granting of registered patents, trademarks or other intellectual property rights;
- that the patents, trademarks or other intellectual property rights granted to the Group will not be contested, invalidated or circumvented by competitors;
- that the scope of protection conferred by the Group's patents, trademarks and intellectual property rights is and will remain sufficient to protect it against competition and third-party patents, trademarks and intellectual property rights covering similar technologies, industrial processes, products or developments; and
- that the Group is able to prevent the breach by a third party of confidentiality agreements or the disclosure to third parties of confidential information on its trade and industrial secrets in terms of know-how, processes and production methods and that this information will not be used for the benefit of third parties (competitors, customers, suppliers, etc.).

At the date of approval of the Registration Document, the Group has not been confronted with any of these situations, nor has it been involved in any litigation, whether as claimant or defendant, relating to its intellectual property rights or those of a third party.

However, the occurrence of one or more of these risks could have a material adverse effect on the Group's business, outlook, financial position, results and development.

### 3.4.3 Product liability risks

The Group may be exposed to a risk of liability in connection with the marketing of its products, in particular its product liability. The Group could be held liable, as a manufacturer, for damage caused by a defect in one of the products it develops and distributes. A product is considered defective when it does not offer the safety that one might legitimately expect. The Group may be required to pay compensation for damage resulting from injury to a person or property.

Generally speaking, in the normal course of business, Groupe Berkem and its subsidiaries may be involved in a certain number of disputes (disputes in the context of relations with suppliers, with customers over non-compliant products or failure to meet delivery deadlines, or with their employees, etc.). These disputes are related to the Group's day-to-day activities, but may nevertheless have serious consequences: legal fees, financial penalties, criminal convictions, operating suspensions, image and reputational damage to the Group following administrative, legal and arbitration proceedings in which the Group and/or its employees may be held liable.

To the best of the Group's knowledge, there are no governmental, administrative, legal or arbitration proceedings, currently under way or with which the Group is threatened, that are liable to have or that have had in the last twelve months significant negative effects on the Group's results or financial position. However, it cannot be ruled out that, in the future, new proceedings, whether or not related to any current proceedings, may be brought against one or other of the Groupe Berkem entities, which proceedings, if they were to have an unfavourable outcome, could have a negative impact on the Group's business, financial position or results (refer to section 18.6 of the Registration Document).

#### 3.4.4 Risks related to the various international and local regulations to which the Group is subject and potential changes therein

Some of the Group's products are subject to national and international regulations and standards, particularly in terms of health, environment and safety, which are complex, restrictive and constantly evolving. These regulatory constraints may have a significant impact on all of the Group's activities: development, control, manufacturing, storage, labelling, traceability and marketing (refer to section 9 of the Registration Document).

The modification or application of new regulations or standards could have a material adverse effect on the Group's activities, results and financial position by:

- forcing the Group to incur capital expenditure or other measures to ensure compliance with these regulations or standards (modification of the industrial process, development of substitute products);
- preventing or limiting the marketing of the Group's products;
- leading the Group to abandon certain markets (products or geographic regions);
- leading to disputes with the Group's customers.

The Group may also fail to anticipate a future change in regulations or standards with a negative impact on its sales or miss an opportunity to increase its market share or turnover.

The Group's Regulatory Department therefore monitors legal and regulatory developments affecting laws, regulations and other standards which may affect the Group's activities and thus ensures the compliance of the Group's products; it also carries out the filing and follow-up of product authorisation, certification and approval applications, as well as their renewal, with the administrative authorities.

In general, and regardless of the field of activity, although compliant with applicable local regulations, it cannot be ruled out that additional authorisations and/or other formalities may be required in other countries where the Group would like to market its products. The Group cannot guarantee, where applicable, that it would be able to obtain these authorisations or complete these formalities within a timeframe compatible with its commercial strategy and market needs. In addition, if these authorisations are obtained, there are no guarantees regarding their continuation or renewal. In the event of a refusal to issue a regulatory authorisation, or a modification, review, suspension, non-renewal or cancellation of such authorisation, in particular following appeals by third parties, the marketing of the Group's products could be slowed down or even prohibited in the relevant countries.

Each year, the costs associated with filing and renewing the Group's market authorisation applications represent between €150k and 200k. However, the Group believes that the risks associated with these costs are low insofar as difficulties in filing or renewing a market authorisation for a formula are generally known in sufficient time to substitute this formula by another, thus reducing the costs.

Likewise, in a context of heightened geopolitical tensions, changes in customs regulations (in particular between the United States and China) could result in a significant increase in the costs borne by the Group or a loss of competitiveness of the Group's products.

Lastly, the Group is particularly attentive to the societal expectations expressed by civil society, non-governmental organisations and associations. Their strengthening could, in certain cases, result, for a chemical group like Groupe Berkem, in the tightening of requirements in various areas of the Company, such as the responsible management of products, environmental management, the increasing consideration of the impacts of climate change or the management of human resources, resulting in significant additional expenditure and investments to adapt to these requirements. In addition, failure to take into account or delay in the implementation of measures to meet these requirements could result in financial damage, notably through the loss of market share, or even reputational damage for the Group.

Such situations, if they were to occur, would be likely to have a material adverse effect on the Group, its business, its financial position, its results, its development or its outlook.

#### 3.4.5 Insurance coverage default risks

The Group's insurance policy is part of the general risk management system put in place by the Group. For the financial years ended 31 December 2020, 2019 and 2018, the amount of premiums borne by the Group in respect of all insurance policies amounted to €385 thousand, €427 thousand and €480 thousand, respectively. At 30 June 2021, the amount of fees borne by the Group was €200 thousand.

At the date of approval of the Registration Document, the Group believes that the limits of its insurance coverage and the durations covering operating losses take into account the nature of the risks incurred by the Group.



Insurance	Insurer	Purpose	Main guaranteed events	Cap	Deductible	Insured sites	Observations
<b>Property damage and business interruption insurance</b>	Generali leading insurer at 50%, QBE co-insurer at 30% and CHUBB at 20%	Cover company assets: buildings, equipment, goods and related financial losses	Fire, electrical damage, water damage, glass breakage, theft, machinery breakdown, natural disasters, operating losses, etc.	Contractual limitation of compensation for direct damage and cumulative operating losses set at €49,900,000	General deductible of €15,000	Berkem acting both on its own behalf and on behalf of others	Fixed term of two years on this policy if S/P <65%
<b>Corporate liability insurance</b>	QBE	Cover damage caused to third parties in relation to the activity defined in the contract (before/after delivery)	Personal injury, property damage and immaterial damage, gross negligence, property of others	€10,000,000 for damages before delivery (operations) and €5,000,000 for damages after delivery (product)	Deductible €5,000 in civil liability before delivery and €10,000 in civil liability after delivery	HOF, Berkem, Eurolyo, Lixol & Adkalis	Fixed term of two years on this policy if S/P <70%
<b>Executive civil liability insurance</b>	CHUBB	Guarantee the <i>de jure</i> and <i>de facto</i> executives as well as the legal entity following a management error	Criminal defence costs and payment of the financial consequences of an executive's liability	€5,000,000	None	HOF and all of its subsidiaries held at more than 50%	Extension of crisis management costs, image reconstruction

<b>Environmental liability insurance</b>	CHUBB	Cover the risks of pollution resulting from the activities carried out by the insured on the sites covered	Environmental civil liability, biodiversity, decontamination costs and operating losses	€5,000,000, sub-limit of €1,500,000 in biodiversity and decontamination costs, and €5,000,000 in operating losses	€15,000 increased to €30,000 for decontamination costs	Berkem Développement, Adkalis, Lixol & Berkem	Firm term of two years on this policy
<b>Transported goods insurance</b>	CHUBB	Cover all goods, materials, devices, tools, products, new or used equipment forming part of and/or relating to the activity of the insured or intended for its supply, and in general to any property in which the insured has an insurable interest	Damage to the goods defined above when they are entrusted to transport professionals, against the risks of land, sea, river or air transport, as well as in the insured's own vehicles. Exhibitions and trade shows are also covered	€400,000 in public transport, €50,000 in private transport and €50,000 for exhibitions/trade shows	None except for shipments made by the insured: €1,500	Berkem Développement acting on its own behalf and on behalf of its subsidiaries	Beneficiary profit-sharing clause of 30% and numerous options (stowing and securing, labels, hidden damage, etc.)
<b>Assistance insurance</b>	CHUBB	Cover the insured employees following accidents to which they may be victims during their professional assignments carried out on behalf of Berkem Développement	Assistance and/or repatriation services including medical expenses and hospitalisation expenses of more than 24 hours abroad, luggage and personal effects, personal civil liability abroad, flight and	Unlimited medical expenses and actual costs for repatriation	None	All employees, executives on business assignments on behalf of the company	Guarantee does not apply in certain countries: Afghanistan, Brazil, Colombia, Haiti, Iraq, Mexico and Cote d'Ivoire

		and/or its subsidiaries	baggage delays, assault				
<b>Vehicle insurance and assistance</b>	AXA	Cover damage caused to third parties as well as damage to vehicles in accordance with the guarantees set out in the policy.	Civil Liability / Theft / Fire / Accidental Damage / Assistance with replacement vehicle / Driver cover / Financial Losses – No Accidental Damage cover on vehicles older than five years and no glass breakage cover on the entire fleet	Repair amount and €400,000 for driver cover	€500 in Theft / Fire / Accidental Damage	All vehicles, machines and trailers belonging to Berkem, owned or leased	Fixed term of 2 years on this policy if S/P <80% and a guarantee for one light vehicle in order to cover short-term leases limited to 360 days of leasing by the client per year
<b>Key man insurance*</b>	Crédit Agricole Assurances	Payment of a lump sum in the event of the death or disability of Olivier Fahy	Death or disability of Olivier Fahy	€1,500,000			Unspecified duration

*\*The key man insurance taken out by the Group is the subject of a pledge in favour of the banks that have granted the “senior” bank loan (refer to section 19.1.7 of the Registration Document).*

However, it cannot be ruled out that, in certain cases, the Group may be obliged (i) to pay significant indemnities not covered by existing insurance policies, or (ii) to incur very significant expenses not reimbursed or only partially reimbursed by the Group's insurance policies, notably in the event of an accident on a site, storage centre or external depot, or during transport or in the event of natural disasters. The Group could also incur operating losses not reimbursed or only partially reimbursed due to losses or periods of non-operation of the sites longer than those stipulated by contract.

Groupe Berkem uses a broker specialising in its sector of activity to select its insurers among those best able to assess the Group's risks and the most financially sound. However, it cannot be ruled out that one or more of these insurers may, at the time of payment of compensation for a claim, be in a difficult or even compromised financial situation, making the actual compensation of said claim uncertain. In addition, changes in the insurance market could result in unfavourable changes to the Group's insurance policies as well as higher premiums to be paid for those policies.

Lastly, the Group's insurers may, under certain conditions deemed customary for this type of insurance contract, prematurely terminate the Group's insurance policies in the event of a major claim. In this case, however, the Group remains covered during the notice period, the duration of which varies according to the policies. Nevertheless, the Group cannot guarantee that it will always be able to obtain similar insurance cover at an acceptable cost, which could lead it to accept more onerous insurance policies and/or assume a higher level of risk.

### **3.5 Risks related to disruptions resulting from the Covid-19 pandemic**

Faced with the exceptional situation caused by the Covid-19 pandemic and its consequences, particularly operational consequences for the Group, the Group has set up a steering committee of its main executives at the onset of the epidemic in France in order to implement and adjust strict social and hygiene measures at all its sites in order to guarantee the safety and health of its employees and subcontractors in accordance with the recommendations of the health authorities and to ensure the continuity of its activities.

Due to its exceptional duration and geographical scope, the Covid-19 pandemic led the French State and the governments of a number of countries to which the Group exports its products to adopt unprecedented measures to stem the spread of the virus: national or local lockdowns, restrictions on the movement of people and goods, strict social distancing and hygiene measures.

At the date of approval of the Registration Document, these measures seem to have had a limited impact on the Group. In fact, the Group's production sites continued to operate without interruption in France, albeit with a more restrictive organisation (protection of employees most at risk, reserve of other staff to ensure continuity, more complex organisation of goods transport). The Group did not receive any customer order cancellations but noted a small number of orders were postponed.

Furthermore, the Group launched a range of disinfectant products to meet the health needs of the Covid-19 epidemic (refer to section 5.4.4 of the Registration Document). The Group's responsiveness and agility, the resilience of its activities, as well as the use of State-Guaranteed Loans (SGL in the amount of €2.7 million and Atout loan from BPI for €0.5 million obtained in May 2020) and furlough schemes for certain operational functions (within the subsidiary and sub-subsidiaries Berkem Développement, Adkalis, Lixol, Berkem and Eurolyo) enabled the Group to maintain its activities, its operating results and its liquidity during the 2020 financial year (refer to sections 7.1.3 and 18.5 of the Registration Document). In addition, the Group requested its social security payments (URSSAF and pensions) be postponed for the months of March, April and May 2020 for a total amount of €515 thousand. Finally, the Group obtained from its financial partners: the deferral of 50% of its maturing senior bank debt (i.e. €929 thousand) over the 5 remaining annual instalments, the capitalisation of interest due on 30 June 2020 on the Novi 2 convertible bonds, spreading the

30 June 2020 maturity out over 4 months of the preference shares by Midi Capital and finally, the 6-month deferral of the final maturity dates of other loans.

In the event of a resurgence of the Covid-19 pandemic and, depending on the consequences of such a resurgence, the Group cannot guarantee there will not be impacts on the health of its employees and their availability, as well as difficulties in the supply of certain raw materials or in the delivery of the Group's products to its customers, which may consequently lead to temporary shutdowns or slowdowns in the operation of the Group's production units. The Covid-19 pandemic could ultimately impact the Group's financial performance (turnover and operating results) and its cash generation, although this impact cannot be accurately assessed at the date of approval of the Registration Document.

### **3.6 Financial risks**

#### **3.6.1 Liquidity risks**

Liquidity risk is the risk of not having the necessary funds available to meet commitments when they fall due. This also includes the risk of early repayment of liabilities in the event of a breach of covenant.

In particular, on 31 March 2021, the Company obtained a waiver from its creditors relating to the non-compliance with financial ratios for the financial year ended 31 December 2020.

At the date of approval of the Registration Document and notably with regard to the obtaining of this *waiver*, the Company had carried out a specific review of its liquidity risk and does not consider that it faces such a risk in the short term. At the date of approval of the Registration Document, the Group has available cash to meet its needs over the next twelve months, mainly due to the following:

- available cash at 30 June 2021 amounting to €5,001 thousand;
- the reinstatement of the maturity schedule of its financial debts in the total amount of €44,335 thousand at 30 June 2021 (bank debt and convertible bond);<sup>5</sup>
- expected amounts due relating to CIR (research tax credit) and CII (innovation tax credit) receivables; and
- investments planned by the Group for which the Group's management bodies have made firm commitments.

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<sup>5</sup> In accordance with the press release from the board of the French Accounting Standards Authority (*Autorité des Normes Comptables*), the redemption schedules for the bond and senior debt have been set at less than one year due to non-compliance with covenants at 31 December 2020 (refer to section 18.5 of the Registration Document). At 31 March 2021, financial partners have approved the request for waivers made by the Group and have maintained the terms of the schedules initially set out.

The maturity schedule of financial liabilities used in the Group's consolidated financial statements at 30 June 2021 is as follows:

In thousands of euros	At 30 June 2021	< 1 year	From 1 to 5 years	> 5 years
Bank borrowings	23,608	4,691	17,804 <sup>(1)</sup>	1,112
Bonds	17,744	-	17,744	-
Finance lease borrowing	2,059	582	1,349	127
Other borrowings and related debts	925	925	-	-
Cash liabilities	146	146	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>44,481</b>	<b>6,344</b>	<b>36,898</b>	<b>1,239</b>

<sup>(1)</sup> Of the €17.8 million, €15.2 million corresponds to a syndicated loan, whose amortisation is as follows:

- €2,042,857.30 on 16 October 2022;
- €2,042,857.30 on 16 October 2023;
- €2,042,857.30 on 16 October 2024;
- €5,042,856.30 on 16 October 2025; and
- €4,000,000.00 on 16 January 2026.

The balance of €2.6 million corresponds mainly to borrowings from BPI, which are amortised over time.

The Group's financial liabilities are presented by type of debt in Section 8.2 of the Information Document and summarised below.

<b>SGL</b>	<p>Several SGLs totalling €2.7 million and an Atout Loan from the BPI for an amount of €500,000:</p> <ul style="list-style-type: none"> <li>• <b>SGL of €500,000 for Lixol</b> obtained from the Caisse d'Epargne: State guarantee of 90% (€450,000);</li> <li>• <b>SGL of €1,100,000 for Berkem SAS:</b> <ul style="list-style-type: none"> <li>- Loan of €500,000 obtained from Crédit Coopératif: State guarantee of 90% (€450,000),</li> <li>- Loan of €600,000 obtained from Banque Populaire Aquitaine Centre Atlantique: State guarantee of 90% (€540,000);</li> </ul> </li> <li>• <b>SGL of €600,000 for Adkalis</b> obtained from Banque Palatine: State guarantee of 90% (€540,000);</li> <li>• <b>SGL of €500,000 for Berkem Développement and €500,000 Atout Loan:</b> <ul style="list-style-type: none"> <li>- Loan of €500,000 obtained from Crédit Agricole: State guarantee of 90% (€450,000),</li> <li>- Atout Loan of €500,000 obtained from BPI: a 90% (€450,000) guarantee from the <i>Fonds Nation de Garantie</i> "Garantie Atout ETI".</li> </ul> </li> </ul>
<b>OCA (convertible bond)</b>	<ul style="list-style-type: none"> <li>• Number of OCAs issued: 146</li> <li>• Number of OCAs outstanding at the date of approval of the Registration Document: 146</li> <li>• Issue price/Par value per OCA: €100,000</li> <li>• Nominal amount of OCAs: €14,600,000</li> <li>• OCA maturity date: 16 April 2026</li> <li>• Annual interest rate paid (payable semi-annually): 6-month Euribor + 5%</li> <li>• Capitalised annual interest rate: 5.00% <i>per annum</i></li> </ul>

	<ul style="list-style-type: none"> <li>• Non-conversion premium: 2.50% of the nominal value of OCAs (excluding capitalised interest)</li> <li>• Number of Berkem Développement shares on conversion of OCAs: 9,725,781</li> <li>• <b>Ranking:</b> OCAs subordinated to the senior syndicated loan</li> </ul>
<b>ADP<sub>2015</sub></b>	<ul style="list-style-type: none"> <li>• Preferred shares issued by <b>Berkem Développement</b> (ADP<sub>2015</sub> Berkem Développement) for a gross amount of €2,603,076 from subscribers who are natural persons;</li> <li>• Preferred shares issued by <b>Berkem</b> (ADP<sub>2015</sub> Berkem) for a gross amount of €1,531,990 to subscribers who are natural persons.</li> </ul>

In addition, the debts related to senior credit agreements and bonds convertible into shares issued by Berkem Développement and subscribed by the NOVI 2 fund managed by Iinvest Partners include certain standard clauses in terms of early repayment (partial or total), in particular in the event of a change of control of HOF SARL (majority shareholder of the Group) or Berkem Développement, the disposal of fixed assets, the collection of insurance indemnities, default on a payment at maturity, cross-default, insolvency proceedings of a Group entity, cessation or suspension of activity, refusal of the Statutory Auditors to certify the consolidated financial statements of Berkem Développement or Berkem Développement's parent company financial statements or of one of its subsidiaries or sub-subsidiaries, etc...

In the event that one of these situations should occur, all or part of the sums due in principal, interest, costs and incidentals in respect of the senior bank loans and convertible bond would immediately become payable. As a result, the Group would be exposed to a liquidity risk resulting from the triggering of the early redemption clauses of its bank loans and convertible bond.

In addition to these usual early repayment clauses, senior credit agreements and convertible bonds subscribed by the NOVI 2 fund managed by Iinvest Partners require compliance with the following covenants (compliance with these covenants is reviewed on December 31 of each year only):

<b>Compliance with financial ratios for the senior bank loans</b>	
Leverage ratio = Consolidated net financial debt/consolidated EBITDA at 31 December 2020 At 31 December 2021 and at the close of the following financial years	Leverage ratio less than or equal to: 2.50x 2.00x
Debt service coverage ratio = Consolidated free cash flow divided by consolidated financial debt service	At each test date the Debt service coverage ratio must be equal to or higher than 1.10x
<b>Compliance with financial ratios for the convertible bond</b>	
Debt coverage ratio = Consolidated net cash flow divided by consolidated financial debt service	At each test date the Debt coverage ratio must be higher than 1.00x
Net financial debt ratio = Consolidated net mezzanine debt/consolidated EBITDA At 31 December 2020 and at the close of the following financial years	Net financial debt ratio less than or equal to: 4.00x
Senior net financial debt ratio = Consolidated net senior debt/consolidated EBITDA At 31 December 2020	Net senior financial debt ratio less than or equal to: 2.50x 2x

At 31 December 2021 and at the close of the following financial years	
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In addition, in the context of a senior loan and its bond financing, the Group has pledged the financial securities accounts of Berkem, Adkalis, Lixol and Eurolyo as well as the securities of these companies (see section 19.1.7. of the Registration Document for details).

To date, the Group has always complied with its repayment commitments and has always obtained waivers from its banks and Idinvest Partners when it has found itself in one of the situations covered by the early redemption clauses. The Group has historically obtained the following waivers:

- October 2019:
  - o non-compliance with financial ratios at 31/12/2018
  - o non-application of the excess cash flow clause for the 2018 financial year
  - o authorisation to distribute dividends to partners
- April 2020:
  - o authorisation to take out a State-Guaranteed Loan in the context of Covid-19;
  - o 50% reduction in the capital payment of Tranche A of the senior debt in 2020 (paid on 18 October each year). The balance being spread equally over the five remaining payments
- October 2020:
  - o decrease in the amount of the clean down from €3 million to €1 million during the 2020 period (from 1 to 30 November 2020)
- January 2021:
  - o non-compliance with the financial ratios for the financial year ended 31/12/2019, authorisations prior to the Company's IPO, release of the T&G pledges
- March 2021:
  - o non-compliance with financial ratios for the financial year ended 31 December 2020
- October 2021:
  - o extension of the lenders' agreement on pre-IPO authorisations
  - o shifting of the period during which the outstanding amount of the revolving credit must be zero (the "clean down" period) from November 2021 to December 2021.

In the event of an IPO of the Company, it is currently contemplated that (i) the convertible bonds subscribed by the Novi 2 Fund managed by IdInvest Partners will be redeemed for €18.5 million (i.e. a principal of €17.8 million plus accrued interest and interest capitalised between 30 June 2021 and the date of the Company's IPO) and that (ii) Groupe Berkem will exercise the options to acquire the Berkem Développement ADP<sub>2015</sub> for €3.5 million and the Berkem ADP<sub>2015</sub> for €2 million (refer to section 19.1.6. of the Registration Document).

Any inability to have the necessary funds to meet commitments on their due date could have a material adverse impact on the Group's business, outlook, financial position, results and development.

### 3.6.1 Risks related to impairment of the Company's intangible assets

On 8 March 2021, HOF contributed 33,485,060 shares (81%) of Berkem Développement. The capital contributions auditor, in its report dated 2 February 2021, obtained, by the two valuation methods used (multiple of EBITDA and discounted cash flows), a range of values that did not call into question the value of the contribution of €29 million for 81% of the shares (contribution at carrying amount). As



compensation for this contribution, the Company carried out a capital increase of €29,135,481.75 by issuing 12,949,103 ordinary shares with a par value of €2.25 each.

This contribution occurred along with the simultaneous acquisition of 12.2% of the Berkem Développement shares held by HOF. The acquisition price of these additional securities was agreed after receipt of an external offer received by HOF from an investment fund.

This transaction generated goodwill in the amount of €42,615 thousand (please refer to Note 3.1.1 “*Goodwill*” to the consolidated financial statements at 30 June 2021 for more details).

In accordance with Article 231-10 of the ANC Regulation No. 2020-01, goodwill has been calculated provisionally and will be subsequently allocated. Although the Company has until the 31 December 2022 closing date to make this goodwill allocation, it plans to advance it to 31 December 2021.

At 30 June 2021, goodwill therefore amounts to €42,615 thousand and, at this stage, the Company has not yet determined the fair value of the identifiable assets or the amount and useful life of any residual goodwill.

Taking into account this goodwill, the unamortised intangible assets on the Company's balance sheet amounted to €50,126 thousand at 30 June 2021. In the future, if impairment tests of these unamortised assets show a present value of an asset below its net carrying amount, the Company should recognise an impairment of these assets. Due to the significant amount of unamortised intangible assets in the Company's balance sheet, any impairment losses could have an adverse effect on the Company's results for the financial year in which they would be recorded, it being specified that this would have no impact on the Company's cash flow.

However, concerning goodwill, the Company notes that, given the recent date of the acquisition, no valuation exercise has been carried out to date. The Company expects an allocation to unrecognised or revalued assets. For intangible assets, the allocation could relate to trademarks, patents, marketing authorisations and goodwill. For property, plant and equipment, this allocation could relate to industrial production facilities (infrastructure, machinery, etc.). As some of these assets have a limited useful life, they will be amortised in the Company's financial statements. Thus, following the allocation of goodwill that will be made by the Company, the total amount of unamortised intangible assets could be significantly reduced, as could the related impairment risk.

### 3.6.3 Interest rate risk

The Group is exposed to a risk of interest rate fluctuations due to certain of its debts whose interest rates are indexed to the Euro Interbank Offered Rate (EURIBOR), plus a margin. Although EURIBOR has been relatively stable and negative for several years now, if it were to increase in the future and return to a positive rate, this would result in an additional interest expense for the Group, reducing the free cash flow for investments and limiting its ability to service its debts.

At 30 June 2021, the Group's outstanding floating-rate debt amounted to €41,396 thousand, corresponding in particular to:

- €17,744 thousand in respect of the convertible bonds issued by Berkem Développement and subscribed by the NOVI 2 fund managed by Idinvest Partners with an interest rate paid of 6-month EURIBOR +5%;<sup>6</sup>
- €23,608 thousand under senior credit agreements, of which:

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<sup>6</sup> It being specified that in the event that the 6-month EURIBOR is negative, it will be deemed to be equal to zero

- a tranche A in the amount of €11,842 thousand with an interest rate of 3-month<sup>7</sup> EURIBOR + a margin of between 1.50% and 2%<sup>8</sup> depending on the Group's Leverage Ratio;
- a tranche B in the amount of €4,000 thousand with an interest rate of 3-month<sup>2</sup> EURIBOR + a margin of between 2% and 2.50%<sup>9</sup> depending on the Group's Leverage Ratio;
- a revolving credit facility in the amount of €3,000 thousand with an interest rate of 3-month<sup>2</sup> EURIBOR +1.75%.

In order to partially hedge these outstanding variable-rate debts, Berkem Développement entered into two interest rate hedging agreements in October 2018:

- a swap agreement with Natixis for a notional amount of €3,366 thousand (amortisable) swapping 3-month EURIBOR for a fixed rate of 0.38750% *per annum* over the period from 16 October 2018 to 16 October 2022;
- a swap agreement with Natixis for a notional amount of €2,754 thousand (amortisable) swapping 3-month EURIBOR for a fixed rate of 0.38750% *per annum* over the period from 16 October 2018 to 16 October 2022;
- a swap agreement with Crédit Agricole Mutuel d'Aquitaine for a notional amount of €4,080 thousand (amortisable) swapping 3-month EURIBOR for a fixed rate of 0.415% *per annum* for the period from 16 October 2018 to 16 October 2022.

At 30 June 2021, the notional amounts of the swaps entered into with Natixis and Crédit Agricole Mutuel d'Aquitaine were respectively €4,783 thousand and €3,189 thousand.

The Group could also face an interest rate risk in respect of the call options attached to the preferred shares issued in 2015 by Berkem Développement (the “**Berkem Développement ADP<sub>2015</sub>**”) and Berkem (the “**Berkem ADP<sub>2015</sub>**”). Berkem Développement and Berkem carried out capital increases in the amount of €2,603,076 and €1,531,990 respectively with natural persons represented by M Capital under management mandates (wealth tax).

As part of the investment protocols presenting the characteristics of Berkem Développement ADP<sub>2015</sub> and Berkem ADP<sub>2015</sub>, it is expected that the sale price of said preferred shares will be as follows:

- 120% of the subscription price if the sales are made between 18 June 2015 and 1 January 2021;
- from 1 January 2021, these purchase prices will be increased by 100 basis points per month, i.e. up to 12% *per annum* until the full exercise of the call option, with payment to be made on all the shares on the 1<sup>st</sup> of the month. Failing that, any month started will be due in full.

It is planned that the Berkem Développement ADP<sub>2015</sub> and the Berkem ADP<sub>2015</sub> will be acquired by Groupe Berkem and Berkem Développement respectively following the listing of the Company's shares on Euronext Growth Paris.

Thus, in the event of purchases of Berkem Développement ADP<sub>2015</sub> and Berkem ADP<sub>2015</sub>, the acquisition

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<sup>7</sup> It being specified that in the event that the 3-month EURIBOR is negative, it will be deemed to be equal to zero

<sup>8</sup> Margin of 2.0% if the Leverage ratio is  $\geq 2.00$ ; Margin of 1.75% if the Leverage ratio is between 1.50 and 2.00; Margin of 1.50% if the Leverage ratio  $< 1.50$

<sup>9</sup> Margin of 2.5% if the Leverage ratio is  $\geq 2.00$ ; Margin of 2.25% if the Leverage ratio is between 1.50 and 2.00; Margin of 2.00% if the Leverage ratio  $< 1.50$

costs would be as follows:

<b>Date</b>	<b>As a % of the initial subscription price of the ADP<sub>2015</sub></b>	<b>Berkem Développement ADP<sub>2015</sub> purchase cost</b>	<b>Berkem ADP<sub>2015</sub> purchase cost</b>	<b>Total ADP<sub>2015</sub> purchase cost</b>
At 30 November 2021	131%	€3,410,029.56	€2,006,906.90	€5,416,936.46
At 31 December 2021	132%	€3,436,060.32	€2,022,226.80	€5,458,287.12

## **4. INFORMATION ABOUT THE ISSUER**

### **4.1 Company name and trading name**

The Company's name is "Groupe Berkem".

The Company's trading name is "Groupe Berkem".

Until 8 March 2021, its company name was Immobilière et Foncière (IEF).

### **4.2 Place and registration number of the Company and Legal Entity Identifier (LEI)**

The Company is registered in the Bordeaux Trade and Companies Register under number 820 941 490.

The Company's Legal Entity Identifier (LEI) is 969500033I1Y9I2ZN360.

### **4.3 Date of incorporation and duration**

The Company was incorporated on 14 June 2016 as a simplified joint-stock company (*société par actions simplifiée*), for a duration of 99 years from its registration in the Trade and Companies Register, i.e. until 14 June 2115, unless extended or dissolved early.

It was transformed into a public limited company (*société anonyme*) with a Board of Directors by unanimous consent of the partners, as recorded in a private deed dated 8 March 2021 for a period of 99 years from its registration in the Trade and Companies Register, i.e. until 13 January 2115, unless extended or dissolved early.

### **4.4 Registered office of the Company, legal form, legislation governing its activities**

The Company is a public limited company (*société anonyme*) governed by French law, and mainly subject, in its operations, to Articles L. 225-1 *et seq.* of the French Commercial Code.

The Company's registered office is located at 20, rue Jean Duvert – 33290 Blanquefort – France.

The Company's contact details are as follows:

Telephone: +33 (0)5 64 31 06 60

E-mail: [investisseurs@berkem.com](mailto:investisseurs@berkem.com)

Website: [www.groupeberkem.com](http://www.groupeberkem.com)

It is specified that the information appearing on the Company's website is not part of the Registration Document, unless this information is incorporated by reference in the Prospectus.

## 5. OVERVIEW OF ACTIVITIES

### 5.1 Overview of Groupe Berkem

#### 5.1.1 Groupe Berkem: an expert in plant chemistry and formulation

Created in 1993 by Olivier Fahy, Groupe Berkem is positioned as an integrator in plant chemistry at the heart of conventional chemical products. An expert in green chemistry for more than 25 years, Groupe Berkem is participating actively in the transition to bio-sourced products, with the aim of integrating plant chemistry into everyday life. Its expertise in plant extraction and formulation allow it to identify specialty natural active ingredients from plant-based raw materials, and to extract and formulate them in order that they can be used in major markets, such as the health and public hygiene, cosmetics, agrifoods and construction materials industries. It targets in particular specialty markets such as polyphenols, wood preservation, alkyd resins and organic biocides.

The Group applies its industrial know-how and innovation through two specialised divisions:

- Plant Extraction (35.3% of combined turnover in 2020, 29.1% of pro forma turnover at 30 June 2021). Through its subsidiary, Berkem, the Group extracts natural ingredients of interest, carefully selected for their composition of active molecules and their benefits. Berkem targets active ingredients, such as polyphenols, natural antioxidants extracted from grape seeds or pine bark. These active ingredients and compounds are then offered to manufacturers in the food supplements, cosmetics and agrifoods sectors for the formulation of their products. Since 2018, through its subsidiary Eurolyo, the Group also proposes freeze-drying services that make it possible to preserve all the organoleptic and nutritional qualities of the food as well as the fragile active ingredients intrinsic to the products, while extending the shelf life and facilitating transport and storage;
- Formulation (64.7% of consolidated turnover in 2020, 70.3% of pro forma turnover at 30 June 2021). Through its subsidiaries Adkalis and Lixol, the Group carries out formulation and reaction of active chemical ingredients designed to improve the performance of construction materials (in particular the timber industry) and the synthesis of resins for the paint and printing ink industries.

These two areas of expertise converge today to develop a new technology that is unique in the chemical world: “plant-based boosters”, plant extracts capable of promoting a wide spectrum of efficacy of synthetic products while reducing their risks for people and the environment. The Plant Extraction business brings its expertise in identifying molecules of interest contained in various plants to the Biocide Formulation division working to optimise the use of the right dose of molecules from synthesis chemistry. The turnover generated by plant-based boosters is recognized, at the date of the Registration Document, within the Formulation division.

Over the past few years, Groupe Berkem has incorporated these plant-based boosters into most of its formulation product ranges, with the aim of covering its entire product portfolio by the end of 2021. 9% of products sold in 2020 incorporate plant-based boosters. In 2020, Groupe Berkem decided to open up this offer more widely by providing its original solutions to other players in the chemical industry, thus promoting the use of bio-sourced solutions, in the biocides industry in particular.

This third area of expertise represents an important future growth driver for Groupe Berkem. Since 2018, the Group’s combined turnover generated by products for the construction and coatings markets containing boosters increased from €36 thousand in 2018 to more than €1,531 thousand in 2020. The products of the “Boosters” activity, which mainly consisted in 2020 and in the first half of 2021 in disinfection products intended for the hygiene markets, represented a turnover of €547 thousand in 2020. In addition to this new separate product line, the Group uses boosters as an ingredient in its range of

bio-sourced products in its coatings, construction and pest control activities within its Formulation activity.

#### A brief look at Groupe Berkem

Nearly 165 employees at 30 June 2021

Almost €41 million in turnover in 2020 and €25.4 million in turnover generated in the first half of 2021 from 1,600 customers.<sup>10</sup>

At 30 September 2021, the Group's turnover amounted to €36.22 million compared to €30.33 million at 30 September 2020.

€25.2 million of turnover generated at 30 June 2021 compared to €19.9 million of turnover generated at 30 June 2020.

Nearly 19% EBITDA margin<sup>11</sup> in 2020<sup>12</sup> and 22% EBITDA margin at 30 June 2021.

Between 8% and 10% of average annual turnover dedicated to R&D investments during the 2018, 2019 and 2020 financial years.

28.5% of turnover generated from exports (Europe and outside Europe) during the 2020 financial year. At 30 June 2021, this percentage rose to 22.1%.

18% of 2020 turnover from products created less than three years ago.  
+11.9% annual turnover growth over the period 2013-2020.<sup>13</sup>

100% French production and more than 500 product references.

Head office in Blanquefort (Nouvelle Aquitaine, France) and three industrial sites in Nouvelle Aquitaine and Centre Val de Loire.

*Source: Company*

For more than 25 years, Groupe Berkem has continuously expanded the range of technologies used in its plant extraction expertise (including freeze-drying) and in the formulation of innovative solutions in

<sup>10</sup> Combined annual turnover – refer to sections 7 and 18 of the Registration Document

<sup>11</sup> Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is the operating resource generated by the Group including other operating profits and other operating charges, but excluding the Group's amortisations and financing policy.

The table below summarizes the calculation of EBITDA for the relevant periods:

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>H1 2020</b>	<b>H1 2021</b>
<b>Gross operating profit</b>	<b>6.880</b>	<b>5.666</b>	<b>8.013</b>	<b>4.541</b>	<b>5.558</b>
<i>Other profits</i>	25	73	144	3	67
<i>Other operating charges</i>	-212	-217	-430	-213	-103
<b>EBITDA</b>	<b>6.693</b>	<b>5.522</b>	<b>7.727</b>	<b>4.331</b>	<b>5.522</b>
<i>Reversals of impairment and provisions</i>	33	73	96	--	454
<i>Depreciation, amortisation and provisions</i>	-2.533	-2.685	-2.972	-1.372	-1.879
<b>Operating income</b>	<b>4.193</b>	<b>2.910</b>	<b>4.851</b>	<b>2.959</b>	<b>4.097</b>

<sup>12</sup> Ib.

<sup>13</sup> Data for years 2013-2016 are from audited company financial data.

fields such as cosmetics, agrifoods, wood protection and the paint and resin industry (refer to section 5.4.2. of the Registration Document).

This technological expertise relies on the Group's nine laboratories (four laboratories dedicated to R&D, three quality control and analysis laboratories and two biology laboratories).

Plant extraction is the core business of Groupe Berkem, which carries out this activity through two complementary subsidiaries:

- Based on its know-how proven for more than 55 years, Berkem is dedicated to the extraction of active ingredients from plants, such as polyphenols, natural anti-oxidants extracted from grape seeds and pine bark. These active ingredients are then provided to manufacturers for the formulation of their products. Berkem specialises in customised plant extracts with high added value, guaranteeing exclusive solutions of very high quality;
- Eurolyo specialises in freeze-drying processes that make it possible to preserve all the organoleptic and nutritional qualities of food as well as the fragile active ingredients intrinsic to the products, while extending their shelf life and facilitating their transport and storage.

Groupe Berkem carries out its formulation activity through two subsidiaries:

- Adkalis designs, develops and produces formulations that increase the durability of materials, and wood in particular, through its treatment and preventive solutions. The formulations of Adkalis make it possible to preserve and protect wood and other construction materials against biological agents (termites and wood-boring insect larvae or fungi, for example) as well as damage caused by fire, humidity and UV radiation. Bringing together a series of long-standing wood protection brands within the same company, Adkalis is positioned as the leader in France and one of the top five European players in the timber and construction industry markets;
- Lixol produces and sells alkyd resins for the paint, varnish, wood treatment and formulated ink industries, using vegetable oils and raw materials derived from organic chemistry (as well as petroleum solvents, which Groupe Berkem is gradually replacing with bio-sourced plant-based solvents).

The Group produces and markets its own products through its subsidiaries Berkem, Adkalis and Lixol and provides services through its subsidiary Eurolyo.

Plant-based boosters are a strong strategic focus. As a chemical manufacturer, Groupe Berkem has invested heavily in R&D to leverage its expertise in extraction and formulation. Plant-based boosters are the result of this proactive innovation policy.

With these plant-based boosters, Groupe Berkem's objective is to promote the use of plant chemistry by making them available to manufacturers in the biocides sector. Launched nearly ten years ago, this strategy is guiding Groupe Berkem's direction over the coming years.

#### 5.1.2 A clearly defined mission: to make plant chemistry a part of everyday life

Faced with the considerable challenges of environmental protection and health concerns, the Group has made plant extraction combined with the formulation of synthetic products a major focus of its strategic positioning servicing the specialty chemicals market. This strategic focus is based on Groupe Berkem's desire to increase the added value of its products and offer biocide formulation to players in the chemicals industry, to improve product efficiency while remaining independent from market players, and lastly, to offer the market solutions with a lower environmental impact. As a result, nearly 67% of the Group's raw material purchases derived from biomass in the 2020 financial year.

The large number of applications for Groupe Berkem's products enables it in all respects to perform its mission: *to make plant chemistry a part of everyday life*. To achieve this, its objective is to favour raw materials from biomass to reduce the use of non-renewable fossil resources and to optimise its production facilities in a sustainable development approach: large-scale reduction in the use of by-products from fossil fuels.

Groupe Berkem's strategy is to develop plant-based product offerings and to rapidly ramp up their integration across all product ranges. For example, in 2021, the Group launched a new range of alkyd resins, in which the solvents will be plant-based, thus offering its customers the possibility of incorporating a higher percentage of bio-sourced plant-based materials into their own formulas. This dynamic takes place in collaboration with its customers in an active approach to sustainable development, in line with the preservation and renewal of the planet's biodiversity and resources.

The implementation of this strategy notably involves the commercial rollout of plant-based boosters, whose characteristics meet the strictest regulatory requirements (such as the European "Biocidal Products" Directive and the US Biopesticides Regulation), and guarantee the effectiveness of formulations while reducing the concentration of synthetic active ingredients in order to significantly reduce their toxicity, in the case of biocides in particular.

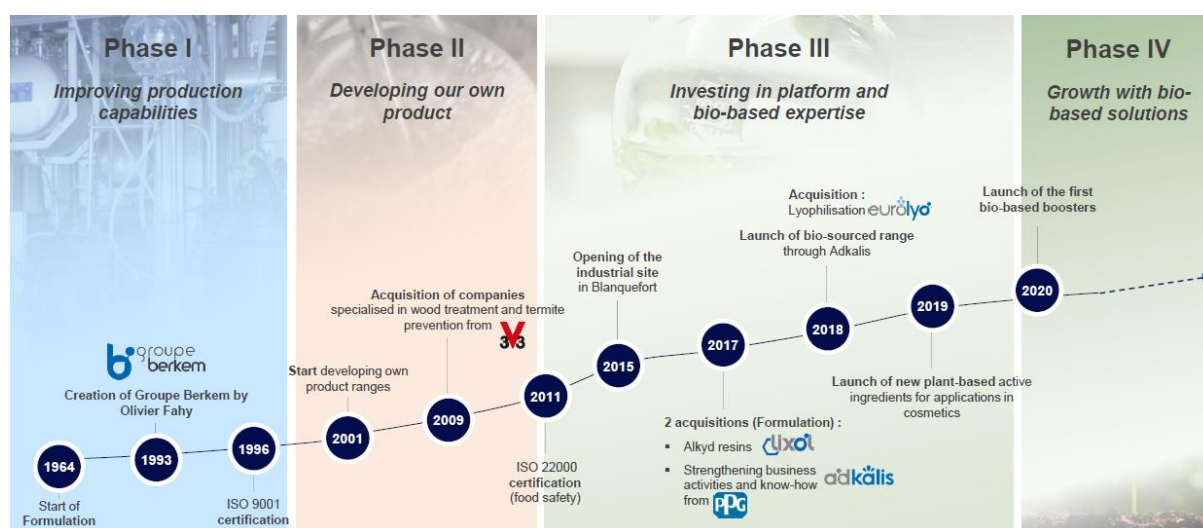
The aim is to forge alliances to collaborate in the manufacture of products with a view to sustainable development and support traditional chemicals players as they move towards greener chemistry, to improve safety for both users and the environment. For example, Berkem has initiated significant relationships with an oil company that wishes, through this agreement, to demonstrate the possibility of using solvents from biomass in which it is a player.

### 5.1.3 History of Groupe Berkem

Groupe Berkem's history can be divided into four main stages. From their origins until the early 2000s, the Group's various entities strengthened their production means and enhanced their know-how. The 2000s constitute the second stage of the Group's growth and were marked by the strong development of proprietary products (from 2001) as well as the first acquisition to enrich the spectrum of addressable markets (thanks to the acquisition in 2009 of the industrial arm of V33, better known as Cecil Industrie). The third stage coincided with the 2010s, a decade full of events and innovations, with the opening of the Blanquefort industrial site (in 2015) and acquisitions that led to the Group's current structure (Lixol and Adkalis in 2017 and Eurolyo in 2018). From 2019, the Group has offered new ranges of bio-sourced active ingredients for cosmetics, marking the start of the Group's fourth growth phase, which began in 2020 with the direct marketing of plant-based boosters outside the Group.



## Groupe Berkem's development phases



*Source: Company*

Groupe Berkem's operational success has resulted in an average annual growth in Group turnover over the period 2016 – 2020 of 8.9% and an annual average growth in Group gross operating profit<sup>14</sup> of 11.9% over the same period.

	2013	2014	2015	2016	2017	2018	2019	2020
Turnover (€M)	18.5	19.3	23.6	29.1	36.9	39.2	37.8	40.6
Gross operating profit (€M)	1.7	3.2	3.9	5.1	5.8	6.9	5.7	8.1
Gross operating profit margin	9.19%	16.6%	16.5%	17.5%	15.7%	17.6%	15.1%	19.8%

*Source: Company*<sup>15</sup>

### 5.1.4 Strong assets to respond to numerous market opportunities

#### *Integrated know-how enabling Groupe Berkem to accelerate its customers' ecological transition*

Groupe Berkem operates in large markets such as nutritional supplements, cosmetics, construction, paints and coatings and public hygiene. These industries are all subject to pressure from consumers and legislators to address the environmental challenge by offering more environmentally-friendly products.

Global demand for plant-based chemical products is thus experiencing a sharp rise. This market is expected to grow from \$9 billion to \$32 billion, with an average annual growth rate of around 15%,

<sup>14</sup> Gross operating profit, or gross operating benefit, corresponds to the operating resources generated by the Group. It does not take into account extraordinary income and non-recurring expenses, depreciation and amortisation or the Group's financing policy.

<sup>15</sup> Audited data for company entities for the period 2013-2017 and data from the combined financial statements for the period 2018-2020.

between 2019 and 2028.<sup>16</sup> The chemical industry is at the heart of a revolution that is driving its players to reinvent themselves.

Thanks to its integrated know-how, Groupe Berkem is perfectly positioned to support both chemical companies and players in other industries seeking to use more environmentally-friendly solutions in addition to traditional chemical products.

By drawing on its historical know-how in plant extraction and its expertise in formulation, Groupe Berkem supports the ecological transition in three ways:

- by promoting the use of high quality plant extracts in consumer products (e.g. cosmetics and food supplements);
- by offering formulations with more natural and renewable constituents from biomass in order to preserve the planet’s resources, protect the environment and reduce any risks related to finished products (e.g. biocides and alkyd resins);
- by supplying the chemical industry with plant-based boosters to reduce the quantity of synthetic active ingredients in their formulations.

#### *An integrated industrial infrastructure to control production processes*

Over the years, Groupe Berkem has built its own scalable infrastructures enabling the integration of key elements of its value chain. This integration allows the Group to control all production processes, from the supply of raw materials to the development of the finished product. At the heart of these processes, Groupe Berkem invests a significant portion of its turnover each year (around 8% of the Group’s combined turnover in 2020) in research and development in order to foster innovation in products and technologies. Groupe Berkem thus has the flexibility to meet the growing and evolving demands of its global customer base.

Groupe Berkem’s production teams are made up of experienced professionals with in-depth know-how in machinery and processes, who are backed by a production organisation with a high level of digitisation and automation. Tightly integrated into IT systems, these optimised industrial processes enable efficient and effective operations at the various Groupe Berkem sites.

#### *A solid business model with a well-known, diversified and loyal portfolio of customers*

The two divisions of Groupe Berkem are subdivided into different business sectors. The Group’s turnover is split, in decreasing order, between construction (37.2% of combined turnover for the 2020 financial year), nutritional supplements (17.2% of combined turnover in 2020), paints and varnishes (“coatings”) (15% of combined turnover in 2020), pest control (10.9% of combined turnover in 2020), active cosmetic ingredients (10.8% of combined turnover in 2020), the agrifoods industry and sub-contracted work (6.1% of combined turnover in 2020) and plant-based boosters (1.3% of combined turnover in 2020). The “Other” businesses of the two divisions represent an aggregate of 1.5% of the combined turnover in 2020.

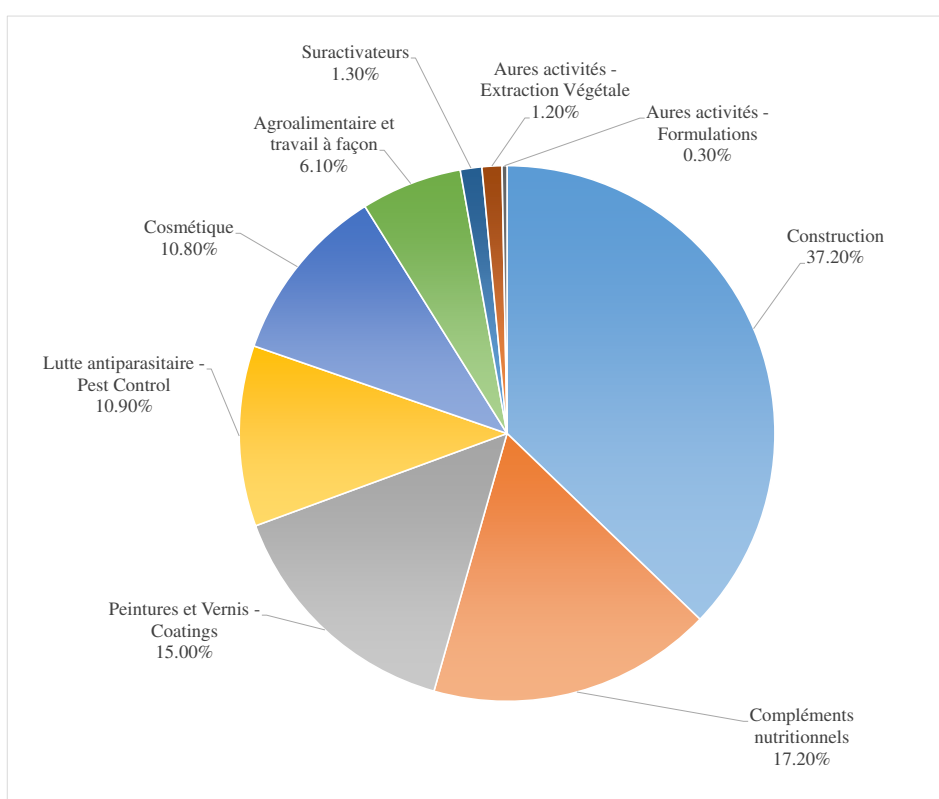
The construction, paints and varnishes, pest control and other activities addressed by the Formulation division accounted for 64.7% of combined turnover for the financial year ended 31 December 2020. The nutritional supplements, active cosmetic ingredients and the agrifoods industry and other activities addressed by the Plant Extraction division (including freeze-drying) represented 35.3% of combined turnover for the financial year ended 31 December 2020.

In addition, Groupe Berkem has a large, diversified and loyal customer base.

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<sup>16</sup> Global Bio-based Chemicals Market (Inkwood Research)

## Breakdown of the Group's combined turnover by business sector in 2020



The table below provides a key to the translation of the items in the above chart.

*Source: Company*

Suractivateurs 1.30%	Boosters 1.30%
Autres activités – Extraction Végétales 1.20%	Other activities – Plant Extraction 1.20%
Autres activités – Formulations 0.30%	Other activities – Formulations 0.30%
Construction 37.20%	Construction 37.20%
Compléments nutritionnels 17.20%	Nutritional supplements 17.20%
Peintures et Vernis – Coatings 15.00%	Paints and Varnishes – Coatings 15.00%
Lutte antiparasitaire – Pest Control 10.90%	Pest Control 10.90%
Cosmétique 10.80%	Cosmetics 10.80%
Agroalimentaires et travail à façon 6.10%	Agri-food and sub-contracted work 6.10%

In the financial year 2020, the Group worked with more than 1,600 customers. The top 100 customers generated 65% of combined turnover and no single customer represented more than 14% of combined turnover in this period. Of these top 100 customers, 18 are companies with a turnover greater than €1 billion, 20 are companies with turnover of between €100 million and €1 billion, and 62 generate less than €100 million in turnover. Groupe Berkem cultivates close and lasting relationships with its customers. This translates into an average relationship of more than eight years for the top 100 customers.<sup>17</sup>

### An international player with significant barriers to entry into its markets

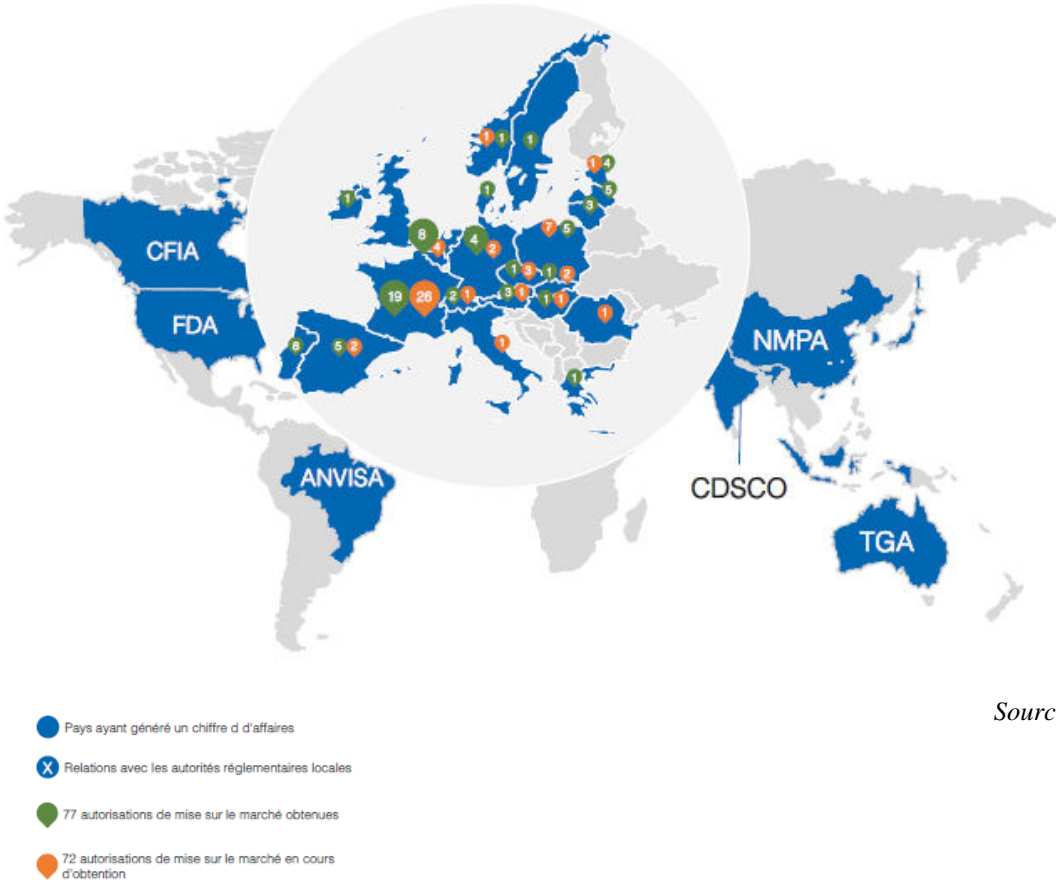
Groupe Berkem has already developed an international dimension and generated 28.5% of its combined turnover in 2020 from exports (in and outside Europe). At 30 June 2021, this percentage rose to 22.1%. Groupe Berkem's aim in the coming years is to accelerate its internationalisation. The manufacture of

<sup>17</sup> Source: Company at 31 December 2020

high-quality plant-based chemical products that meet customer specifications and regulatory requirements is highly complex.

The diversity and complementarity of the Group’s know-how is a natural barrier to entry into these markets. Likewise, the expertise of its Regulatory Department and its detailed knowledge of the process for obtaining marketing authorisations in Europe are simultaneously elements that help customers to recognise the quality of the products, and high barriers to entry for the competition. Thus, Groupe Berkem is developing close relationships with the competent national and European authorities. The approval process for each new formula can take up to three years and cost as much as €300,000. A total of 112 marketing authorisations have been obtained and 33 authorisation applications are under review at the date of this document.

Groupe Berkem’s international presence and marketing authorisations



Source: Company

The table below provides a key to the translation of the items in the above chart.

<i>Pays ayant généré un chiffre d'affaires</i>	<i>Countries that generated turnover</i>
<i>Relations avec les autorités réglementaires locales</i>	<i>Relations with local regulatory authorities</i>
<i>112 autorisations de mise sur le marché obtenues</i>	<i>112 marketing authorisations obtained</i>
<i>33 autorisations de mise sur le marché en cours d'obtention</i>	<i>33 marketing authorisations pending</i>

### *An experienced management team and a desire to retain employees*

Groupe Berkem's management team is made up of experienced professionals with an excellent understanding of the Group's culture and its markets. The strong commitment to continually deliver added value to customers is a common value. The management team, which has worked within Groupe Berkem for an average of 8.5 years, has a proven track record of supporting the Company's growth by building long-term relationships with its customers, developing new products and new technologies, strengthening its geographical presence and expanding into new markets. The team has also demonstrated its ability to increase Groupe Berkem's profitability by focusing on operational excellence.

For all of its employees, Groupe Berkem is committed to an approach focused resolutely on the development of talents and the commitment of employees to their company.

## **5.2 Strategy: to meet the needs of the chemical industry today and tomorrow thanks to Groupe Berkem's innovations and know-how**

Finding solutions that are more respectful of people and the environment is at the heart of Groupe Berkem's strategy. Groupe Berkem is developing this strategy in five areas:

### 5.2.1 Supporting growth by developing business relationships with existing customers and winning new customers

Groupe Berkem's strategy is to continue to leverage its close relationships with long-standing customers and in-depth knowledge of its target markets to launch innovative products that meet the specific needs of players in the chemicals industry. The Group is accustomed to working closely with its customers to create new solutions. Moreover, Groupe Berkem can exploit markets common to its various areas of expertise to generate cross-functional sales opportunities.

With the aim of continuously improving the existing customer service while generating new customers, Groupe Berkem plans to launch a vast recruitment campaign to strengthen its sales force. In particular, the Group wants to recruit salespeople to accelerate its international development and roll out its bio-sourced solutions. In the field of plant extraction, the Group has already recruited two salespeople and a marketing manager during the 2021 financial year, and aims to double its sales force in France.

These ongoing commercial efforts should enable Groupe Berkem to grow organically by furthering its relationships with existing customers and establishing new professional relationships.

### 5.2.2 Continuing to increase profitability

On the strength of recent investments aimed in particular at promoting bio-sourced solutions, increasing the sales force and optimising its manufacturing facilities, the Group believes that it can significantly increase its operating profitability (refer to section 10 of the Registration Document).

In addition, the Group has historically had a culture of integration of the value chain and its expertise. In this context, Groupe Berkem has planned to set up cultivation contracts with the agricultural world in order to improve vertical integration and secure its supplies. Such integration should also increase the Group's profitability, as well as create a favourable product mix with the increase in the proportion of bio-sourced products in the Group's turnover.

### 5.2.3 Stimulating continuous innovation through R&D

Product innovation is a key element of the Group's strategy. Over the last three years and during the first half of 2021, R&D spending has accounted for between 7% and 10% of the Group's combined

turnover. Groupe Berkem intends to continue to invest in the development of new solutions in all of its areas of expertise.

In the field of plant extraction, the Group has already recruited two salespeople and a marketing manager during the 2021 financial year, and aims to double its sales force in France. The Group intends to focus research on finding new plant-based active ingredients to continue to meet customer needs in the most appropriate way possible. This process consists of developing a better understanding of the characteristics of active ingredients in order to meet increasingly specific application requirements.

Furthermore, the Group continually invests in the development of its portfolio of formulations. The formulation strategy is twofold: finalise the switch of existing products to bio-sourced solutions and focus all future product developments on more environmentally-friendly solutions.

In addition, Groupe Berkem began marketing its innovative plant-based boosters directly to its customers in 2020.

#### 5.2.4 Rolling out the offering in new markets and new geographical areas

One of the main elements of Groupe Berkem's strategy in the short- to medium-term, is to expand its commercial activities in geographical areas that it considers to have high potential and where the Group has little or no presence today. At 31 December 2020 and 30 June 2021, respectively 28.5% and 22.1% of Groupe Berkem's turnover was generated in Europe and from major exports. The Company intends to open local offices in strategic locations to reach new regions and even have its own production resources in these geographical areas. With regard to the cosmetics and nutritional supplements markets, the preferred geographical areas as commercial outlets for French production will be the United States, Europe and South-East Asia. The commercial effort in wood preservation will be focused on Canada and Eastern Europe and may require the development of industrial partnerships; and eventually, the establishment of local workshops to dilute products. With regard to alkyd resins, the preferred areas will be Canada and Europe and the Group may wish to have its own production resources in these regions.

The Group intends to recruit abroad, in particular as part of this strategy.

Groupe Berkem also wants to propose new applications for its solutions, such as the preservation of food after harvesting, the preservation of textiles and public hygiene, with these markets seeking limited use of biocides and management of the risks inherent in their use. Groupe Berkem believes that post-harvest food preservation offers a real market opportunity given public awareness of the importance of low-impact solutions, in particular for the maintenance and cleaning of storage areas. Moreover, the Group has real opportunities in the textile industry, which requires solutions with a low impact on the environment (such as moth and anti-bacterial treatments). Lastly, the Group intends to extend its range of plant extracts to the functional food market. In particular, polyphenols are perfectly suited to this market insofar as they are ingredients that combine naturalness and health benefits. To date, the Group believes that Canada could be a relevant commercial target, particularly for functional foods and post-harvest food preservation.

#### 5.2.5 Accelerating organic growth through external operations

The Group's organic growth strategy could be accelerated by selective mergers and acquisitions, enabling the Group to expand its international presence, broaden its customer portfolio or strengthen its existing expertise.

The number of mergers and acquisitions within the chemicals industry has increased considerably in recent years under the cumulative effect of two seemingly contrary phenomena: firstly, the use of "race to size" strategies (faced with the very high costs of deploying new molecules due to increasing regulatory constraints) and, on the other hand, a marked decline in demand for commodity chemicals.

It is in this context that Groupe Berkem has strengthened its strategy of acquiring well-known companies.

Groupe Berkem's established know-how in this area is characterised by:

- its ability to anticipate niche markets that represent promising markets;
- its close proximity to potential targets, their shareholders and their management (whether SMEs or mid-sized companies or businesses owned by large industrial groups);
- its ability to rapidly integrate the companies acquired (notably thanks to the IT/OT tools in place), to create synergies at Groupe Berkem level and to optimise margin levels; and
- its original positioning, allowing it to be identified by other market players as a sector “consolidator”.

This successfully implemented strategy has enabled Groupe Berkem to hold strong competitive positions. Groupe Berkem now wants to accelerate this strategy through the acquisition of larger targets, the internationalisation of targets and the targeting of resin synthesis and biocide formulation market segments.

In the event of an IPO of the Company, the proceeds of the issue could be used in the following areas, on the date of the Registration Document:

- Financing organic growth through geographic expansion (as described in section 5.2.4 above);
- Continuing external growth transactions (as described in section 5.2.5 above); and
- Optimising the Group’s financial structure.

### **5.3 Addressable markets**

#### **5.3.1 Proven growth potential in key applications for bio-sourced products**

The global market for bio-sourced chemicals is driven by strong growth: it is expected to rise from \$9.4 billion in 2019 to an estimated \$32 billion in 2028, i.e. average annual growth over the period of 14.5%.<sup>18</sup> 87% of consumers support the presence of bio-sourced products in their everyday products<sup>19</sup>.

Today, chemical substances do not adapt quickly enough to cope with environmental issues. As a result, the majority of chemical substances will soon no longer be authorised in Europe, particularly given the European Union's objective to achieve carbon neutrality by 2050.

In France, Xerfi<sup>20</sup> anticipates an average increase in sector turnover of 5% per year over the period 2019-2022 to reach a potential market share of 12% for the chemicals division by that date.

At European level,<sup>21</sup> in 2018, three markets stood out in terms of plant-based consumption:

- surfactants for detergents and washing powders;
- active ingredients for hygiene and cosmetic products;
- active ingredients for paints, coatings and inks.

Groupe Berkem is active in the cosmetics (10.8% of combined turnover in 2020) and paints and inks markets (15% of combined turnover in 2020) (refer to section 5.1.4 of the Registration Document).

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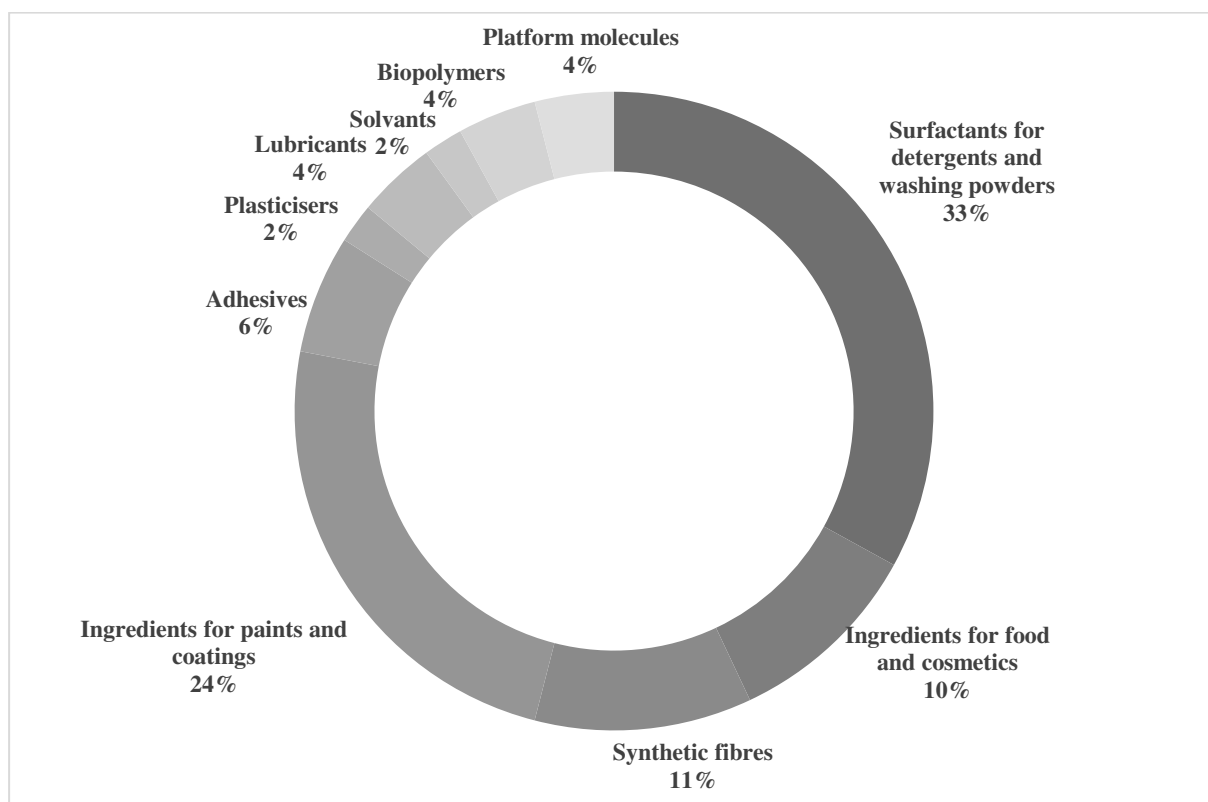
<sup>18</sup> Global Bio-based Chemicals Market (Inkwood Research)

<sup>19</sup> The Chimie du Végétal association

<sup>20</sup> Plant Chemistry to 2022, Xerfi, June 2019

<sup>21</sup> European Commission Joint Research Centre (JRC) cited in “Plant Chemistry to 2022”, Xerfi, June 2019

Breakdown of total European consumption volumes of plant chemistry products (in percentages)



Source: Xerfi

The first two categories are also the segments where the penetration rate of bio-sourced products is the highest, with 50.0% and 44.2% respectively.

Groupe Berkem operates in major business sectors (construction, cosmetics, agrifoods, etc.) in which demand for bio-sourced products is growing and which represent very significant market sizes.

Groupe Berkem's bio-sourced solutions (and in particular plant-based boosters) have the potential to be commercialised in markets already known to the Group and in which it already has numerous customers, such as the construction sector (French market of \$166 billion<sup>22</sup>), alkyd paints and varnishes (global market of \$147 billion<sup>23</sup>), dietary supplements (global market of \$168 billion<sup>24</sup>), active cosmetic ingredients (global market of \$435 billion<sup>25</sup>) and public hygiene (global market of \$226 billion).

In response to the increasing demand for naturalness from end-consumers, and regulatory frameworks that are increasingly protective of people and the environment, the penetration rate of the use of bio-sourced chemicals is expected to reach 12% in 2022.<sup>26</sup> Likewise, public hygiene requirements are increasingly stringent due to the convergence of several factors: increase in living standards in many countries, urbanisation, pandemic, etc.

Groupe Berkem addresses these very large sectors through niche "sub-markets" with high added value and less intense competition.

<sup>22</sup> Source: Research and Markets, 2020

<sup>23</sup> Source: GlobeNewswire, 2020

<sup>24</sup> Source: Research and Markets, 2020

<sup>25</sup> Source: Statista Personal Care Report, 2018

<sup>26</sup> Xerfi – Plant Chemistry to 2022



<i>in billions of dollars</i>	Polyphenols market <sup>27</sup>	Wood preservation market <sup>28</sup>	Alkyd resins market <sup>29</sup>
current market size	1 <sup>30</sup>	1.3 <sup>31</sup>	3 <sup>32</sup>
estimated market size over time	1.6 <sup>33</sup>	1.7 <sup>34</sup>	3.5 <sup>35</sup>
average annual growth rate	+10%	+5%	+4%

Bio-sourced products are part of the Group's product lines that address these three markets (polyphenols market, wood preservation market and alkyd resins market).

An increase of 30% is also expected in the use of wood in the construction and renovation of buildings in France over the period 2015-2035.<sup>36</sup> This increase is more generally part of the strong trend towards the decarbonisation of construction materials.

The current global market for polyphenols of €997 million<sup>37</sup> can be analysed under various criteria. Firstly, geographically, the Asia-Pacific region accounts for 43% of the market, Europe: 27%, North America: 18%, Latin America: 7% and finally, the Middle East and Africa: 5%. In terms of use, functional drinks account for 40% of usage, functional foods: 31% and nutritional supplements: 20%. In terms of the origin of polyphenols, 51% come from grape seeds, 25% from tea (which the Group still rarely uses in its production) and 6% from apples. More specifically, polyphenols from grape seeds, the Group's original market and in which it has developed recognised know-how, could reach \$804 million in 2025 (compared with \$513 million in 2020, i.e. an average annual increase of 9% over the period). This preponderance of polyphenols from grape seeds is due to the availability of the resource and its health benefits, which have been widely documented. In addition, the virucidal and sanitising virtues of polyphenols from grape seeds could allow the emergence of a dedicated range. In particular, the Group filed a patent for the use of these polyphenols as disinfectants and virucides (including on the Covid-19 virus).

The table below provides a key to the translation of the items in the above chart.

<sup>27</sup> Technavio – 2020 Global Polyphenol Market

<sup>28</sup> Wood Coating Resins Market by Resin Type: Markets and Markets, October 2016

<sup>29</sup> Alkyd Resin Market: Market Research Future, February 2021, Market Watch 2016, Technavio, April

<sup>30</sup> 2020 data

<sup>31</sup> 2020 data

<sup>32</sup> 2020 data

<sup>33</sup> Data estimated for 2025

<sup>34</sup> Data estimated for 2025

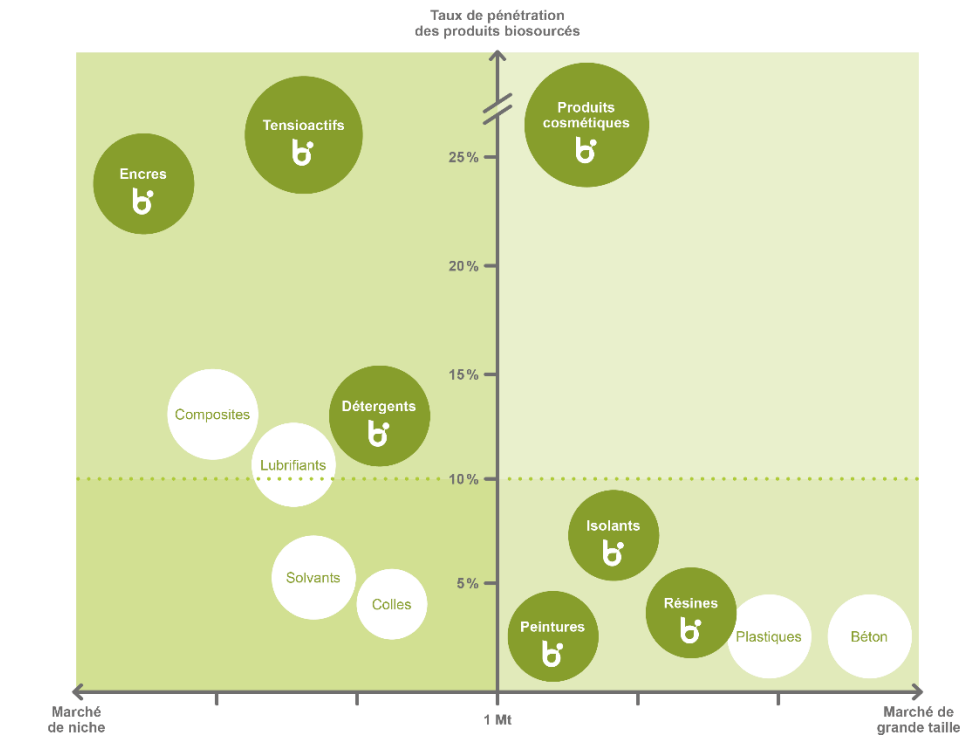
<sup>35</sup> Data estimated for 2024

<sup>36</sup> ADEME forward-looking study – Change in Final Demand for Wood in Construction, Renovation and Fitting of Buildings (June 2019)

<sup>37</sup> Technavio – 2020 Global Polyphenol Market

Bio-sourced products: Groupe Berkem's positioning and development potential

Taux de pénétration des produits biosourcés	Penetration rate of bio-based products
Tensioactifs	Surfactants
Encres	Inks
Détergents	Detergents
Composites	Composites
Lubrifiants	Lubricants
Solvants	Solvents
Colles	Glue
Produits cosmétiques	Cosmetics
Isolants	Insulators
Peintures	Paints
Résines	Resins
Plastiques	Plastics
Béton	Concrete



■ Targeted markets    ○ Addressable markets

*Sources: ADEME, Company (French market)*

Based on a study published in 2015 by ADEME,<sup>38</sup> the market niches in which the Group is positioned still appear heterogeneous but promising in terms of the presence of bio-sourced products. Cosmetics is a large market in which the penetration rate of bio-sourced products is also high. Insulation, paints and resins are major markets for which the penetration rate of bio-sourced products is still low and is growing moderately.

<sup>38</sup> Current Markets for Bio-sourced Products and Changes to 2020 and 2030, study conducted by Alcimed for ADEME, April 2015

For the plant chemistry sector, Xerfi<sup>39</sup> anticipates an average increase in sector turnover in France of 5% per year over the period 2019-2022 to reach a potential market share of 12% for the chemicals division by that date.

### 5.3.2 Very varied competition within Groupe Berkem's three areas of expertise

#### 5.3.2.1 Plant extraction: fragmented and highly specialised competition against Berkem

For plant-based active cosmetic ingredients, Groupe Berkem operates in a market where competition is very fragmented among many major players such as Thor, Naturex, Givaudan, Gattefossé, Indéna, Expanscience, Alban Muller, Crodarom, Silab, BASF, Greentech, Symrise etc.

The key elements of differentiation between competitors are the performance of clinical studies to support claims and the degree of characterisation of the extracts.

Competitive landscape of plant extraction for the cosmetics market



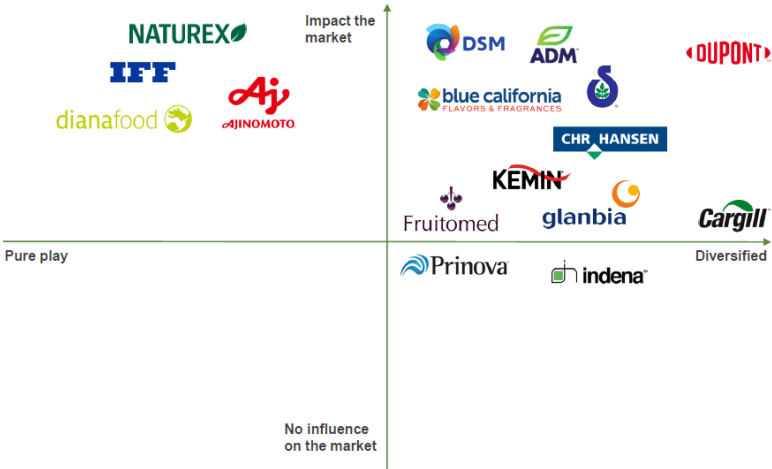
*Source: Company*

With regard to plant-based active ingredients for the nutritional supplements market, Groupe Berkem operates in a market where competition is divided between players such as Naturex, Croda, Döhler, DSM, Euromed, Lonza, etc.

With regard to plant extracts produced under confidentiality agreements, Groupe Berkem's customers are genuine partners in the manufacturing processes, integrated both upstream and downstream, due to the complementary nature of the technology provided by Berkem.

<sup>39</sup> Plant Chemistry to 2022, Xerfi, June 2019

The ecosystem of the Group’s potential customers can be presented as follows:



Source: Company

In the freeze-drying market where Eurolyo is active, Groupe Berkem encounters two types of competitors: on the one hand, companies specialising in the pharmaceutical sector, which have difficulty adapting to other addressable markets outside the pharmaceutical sector, and on the other hand, companies that process very large volumes with their own internal tools (typically the mass-market agrifoods industry). For the time being, the competition is European.

5.3.2.2 Formulation: original positioning for Adkalis within traditional competition

The market for formulations dedicated to wood and materials protection (which is the core business of Adkalis) is dominated by major global players, Arch-Lonza, Koppers, whose main business is in North and South America and South East Asia. Based in Germany, Wolman and Obermeier operate mainly in the Northern Europe market with varying degrees of presence in France. In these European regions, the Group also encounters other competitors such as Bochemie and Teknos. Adkalis is positioned as a specialist in the treatment of wood classes 1 to 3.2 (whereas competitors focus on the preservation of wood classes 4 and 5 (direct contact with the soil)). Adkalis is the only manufacturer to offer bio-sourced products (50% of its range) for a large number of applications, while some of its competitors only offer ranges for a single field of application. Adkalis generated 49% of the Group’s combined turnover in 2020.

Adkalis' competitive landscape (wood and materials preservation)



Source: Company

In the market for the synthesis of alkyd resins (which is Lixol's core business), the Group's main competitors are: DRT, Lubrizol, Croda, Vil Resin, Mäder, Novaresine, Worlée, DSM, Arkema, etc. Allnex, Worlée, Mäder, Bergues Liant, Umicor and Synthopol. Competitors with sites in France are Bergues, E-Coat and Mäder. Some of its players are specialists in alkyd resins, while others are chemical companies offering a wide range of products. The movement towards bio-sourced resins is still recent and is one of the future challenges of the market; a development opportunity that Groupe Berkem wants to seize through its subsidiary Lixol.

Lixol's competitive landscape (manufacture of alkyd resins)



Source: Company

In the competitive landscape, it is interesting to note that the market for alkyd resins (whether for paints or printing inks) is concentrated in a few countries which are, moreover, countries with entrenched chemical industries or the countries of origin of the main players. This is notably the case in Germany, with more than 52% of the European market.

### Breakdown of the use of alkyd resins by country in Europe

Germany	52%
Spain	11%
France	8%
United-Kingdom	7%
Netherlands	7%
Poland	5%
Italy	5%
Belgium	2%
Finland	1%
Denmark	1%
Portugal	1%

*Source : Company*

#### 5.3.3 Making plant-based boosters an organic growth vector for the Group in new markets such as the biocide/pesticide market

In general, public opinion is increasingly demanding products that respect people and the environment and is less and less tolerant of the toxicity of products used in public hygiene, in particular. At the same time, society is less and less inclined to accept, in its living environment, the presence of pests whose growth is exponential due to several factors including demographic growth and its corollary, urbanisation.

More radical treatment products on the market are essentially derived from petrochemical materials, which are increasingly regulated and less readily accepted by the public. In the long term, the ideal is to move towards solutions derived essentially from plant-based materials, from renewable, biodegradable crops with a low carbon footprint. In terms of regulations, as R&D progresses, legislators impose the use of solutions which, for equal effectiveness, are more virtuous, so as to protect people and their environment.

In 2018, bio-sourced solutions generated turnover of €3 billion in the global biocide/pesticide market (i.e. a penetration rate of 15%). This turnover is expected to reach \$7.5 billion by 2025 (i.e. an average annual growth rate of 15% over the period) to give a penetration rate of 27%)<sup>40</sup>.

Groupe Berkem already occupies a prominent position as an accelerator of change. As an innovative player in the biocide sector (nearly 60 years of experience through the company Adkalis) and a specialist in cutting-edge plant chemistry (plant extraction thanks to the company Berkem), the Group is now able to accompany the transition of traditional players in the biocide ecosystem (manufacturers, formulators and applicators) by offering them partnership opportunities to jointly develop solutions based on the Group's bio-sourced active ingredients, in order to reduce the volume and dosage of synthetic substances. This support is based in particular on regulatory control and continuous monitoring by the dedicated department within Groupe Berkem.

Through the diversity of its industrial activity, Groupe Berkem has extensive knowledge of most biocidal products of chemical origin. Today, in particular, the non-agricultural pesticide market is dominated by “conventional” solutions.

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<sup>40</sup> Biolcontrol Agents Market Size (Global Market Insights, September 2019) – including Agriculture

### Players in the pesticide sector

Raw materials manufacturers	Bayer, Arysta, Lanxess, Troy, BASF, Lubrizol, Dow, Lonza, UPL
Formulators	Agrauxine (Lesaffre group), Altaïr, LiphaTech (De Sangosse group), PSA (Callington group), Lodi group, Xeda, Breyner, Syngenta, De Sangosse, ActionPin (PLG group)
Applicators	Rentokil Initial, P&G, Anticimex

*Source: Company*

Groupe Berkem is able to position itself across the entire bio-sourced pesticide value chain, from plant-based raw materials to the products formulated by its chemical industry activities, and numerous application sectors are available to it.

Other application sectors could become target markets:

- the industrial cleaning market is a promising market: the products currently used are derived from the traditional and although they do not impact the health of users directly, societal demand is moving substantially towards products that are more respectful of people and the environment;
- the textile market, which requires technical solutions providing various functions (anti-bacterial, anti-fungicidal, anti-odour, etc.) for which bio-sourced compounds could be strong elements in winning market share;
- the market for preservatives for cosmetics; and,
- the rural hygiene market (on which the Group has initial feedback due to the Covid-19 pandemic) could be developed with the creation of smoke bombs for the disinfection of silos and battery farming facilities. Adding a plant-based active ingredient would limit synthetic active ingredients and make the product less unpleasant for the user and the environment.

However, the most promising markets are those in which Groupe Berkem is already present:

- the public hygiene market for which, from the onset of Covid-19 in 2020, Groupe Berkem demonstrated its skills, responsiveness and legitimacy by launching the Koalib brand, a line of disinfectant products made using plant chemistry;
- the construction market, in which Groupe Berkem has many years' experience with insecticide products such as the Adkalis product ranges.

## **5.4 Three synergistic areas of expertise: plant extraction, formulation and plant-based boosters**

### 5.4.1 Plant extraction

Groupe Berkem's specialised division is based on two complementary subsidiaries, Berkem for plant extraction activities and Eurolyo for freeze-drying activities. While they operate independently on different business lines and industrial facilities, they target the same markets: food supplements, cosmetics and the agrifoods industry.

- 5.4.1.1 Berkem: expertise in the extraction from plants of the natural ingredients of interest, carefully selected for their benefits and their composition of active molecules

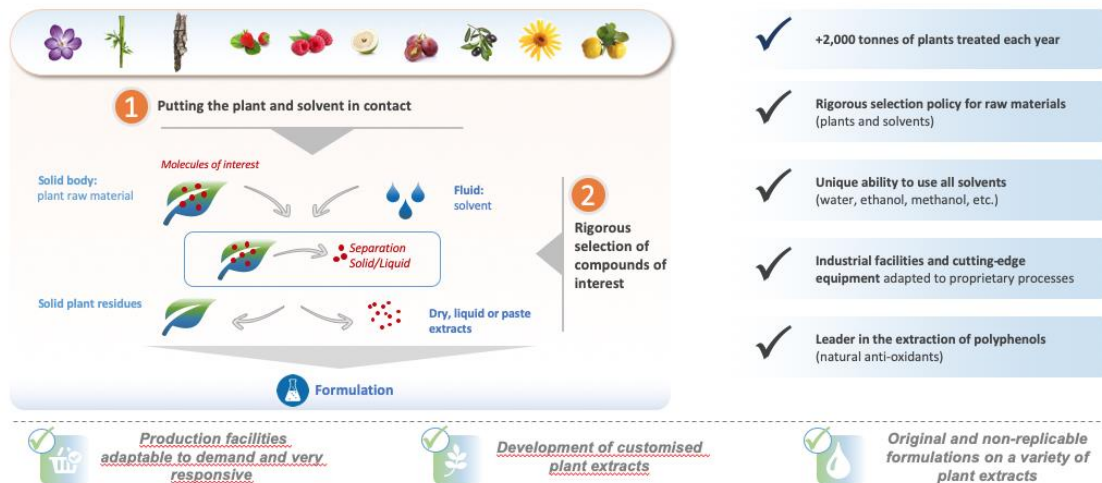
### Overview

Berkem, a company created in 1993 and founded on proven know-how of more than 55 years, is Groupe Berkem's subsidiary dedicated to the extraction of active ingredients. Thanks to its integrated R&D

laboratory, Berkem develops product ranges from plants selected for their composition of active molecules and their properties. These active ingredients are then offered to players in the major nutraceutical, cosmetics and agrifoods markets for the formulation of their products. Berkem also develops custom plant extracts with high added value, such as saffron or truffle extracts, which guarantee exclusive production.

Plant extraction process

Plant extraction: unique expertise and differentiating production

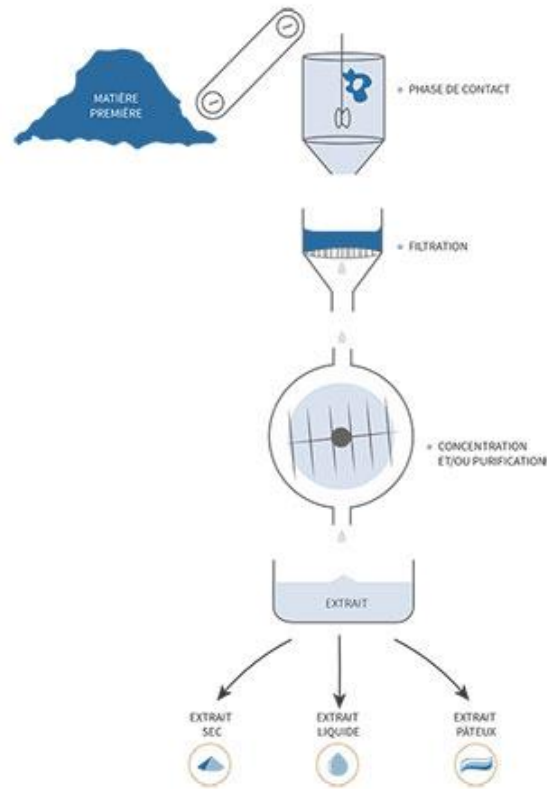


Source: Company

Plant extraction is a physico-chemical process designed to extract compounds of interest present in plants through a solid/liquid separation operation. Berkem has modernised and optimised the ancestral practice of extraction by taking advantage of advances in process engineering, phytochemistry and analytical chemistry and by using new technologies to assist extraction and purification to improve its yields, while increasing the purity of its products (more than 95%).

(The table below the chart provides a key to the translation of the items in the chart)





Matière première	Raw material
Phase de contact	Contact phase
Filtration	Filtration
Concentration et/ou purification	Concentration and/or purification
Extrait	Extract
Extrait sec	Dry extract
Extrait liquide	Liquid extract
Extrait pâteux	Paste extract

- Selection of raw materials.** In the first phase, to meet the production quality requirement, a policy of rigorous selection of raw materials is implemented, both for plants and the solvents used for extraction. Various raw materials can be used for extraction: leaves, roots, bark, grains, seeds, vegetables and semi-processed products such as oils or powders.
- Contact phase with a solvent.** After harvesting, drying and grinding, the plants are immersed in a liquid solvent that has an affinity with the molecules to be extracted. Timing, temperature control, pressure adjustment and choice of solvent are all parameters that influence the performance and selectivity of an extraction. Thanks to specific authorisations and equipment suited to its own processes, Berkem stands out from its competitors by its ability to use a wide range of solvents: water, ethanol, methanol, ethyl acetate, hexane, acetone, heptane, etc.
- Filtration.** A filtration system then separates the solvent/compounds of interest mixture from the plant structure.
- Concentration and/or purification.** The solvent is then evaporated and recycled at low temperature to concentrate the active molecules. The crude extract is then purified, and can be used as is or be formulated to meet specific requirements. Purification allows the sorting of

molecules so that they can be isolated individually or in groups. This process makes it possible to isolate the active ingredients of interest from other unwanted molecules and to concentrate their effect.

- ***Format of the extract.*** In the final stage, the extract is formatted to meet the specific needs of the customer. Depending on customer needs, the solvent is then removed to produce dry extracts (atomiser, powder premix), paste extracts (soft or hard extracts) or liquid extracts (aqueous, glycerine, alcoholic, hydro-alcoholic and hydro-glycolic extracts). This stage, which requires extensive expertise in blending techniques and plant chemistry, enables the active ingredients to be rendered homogeneous and stable in order to facilitate their incorporation into customer products.

#### *A strong customer relationship based on collaboration*

Relying on its know-how and its high-performance and adaptable industrial facilities, Berkem supports its customers in their product development processes through custom solutions. Generally working under confidentiality agreements in close collaboration with its customers, the Group's R&D teams normally carry out feasibility studies and tests first, to optimise the process and determine the precise characteristics of the active ingredients. Pilot tests are then carried out, which subsequently enable production to be launched on an industrial scale, in order to result in a unique, exclusive, innovative product that meets the customer's specific demands.

Berkem can offer customised solutions on request, based on standard or exclusive plant extracts and purified active ingredients. Berkem's high-performance pilot plant ensures the scaling up of processes and enables the production of quantities adapted to customer needs. Production facilities are organised into multi-purpose units, making them adaptable to demand and very responsive. At each stage and up to the finished product, a quality control laboratory analyses the organoleptic and physico-chemical characteristics as well as the dosages of active ingredients according to international standards, Berkem's own standards or customer specifications.

The majority of products are manufactured under confidentiality agreements, in an environment closely supervised by Berkem and its customers. Berkem can also meet specific requests: conventional products, organic products, halal products, kosher products. Berkem is also able to process certain rare and expensive products, such as truffles or saffron, which are entrusted to it so that it can produce extracts with very high added value.

Products are promoted by sending out samples: requests, monitoring and analysis of results are carried out at Groupe Berkem level via the CRM (refer to section 5.7.2 of the Registration Document). Four employees and a network of distributors ensure that Berkem products are sold extensively in France and internationally.



Each year, more than 450 products are manufactured, more than 150 orders are taken and more than 5,000 analyses are carried out (raw materials, intermediate products and finished products). In addition, suppliers are assessed regularly, while customers audit the products and services in order to validate compliance with their specifications.

#### *Product ranges*

Active in the extraction of polyphenols from grape seeds and pine bark since the 1970s, and in their marketing since the 1980s, the extraction of natural anti-oxidants is in Berkem's DNA. From this specialisation early in its activity, Berkem has developed unique expertise in a wide variety of plant extracts, ensuring high levels of purity that exceed the usual standards, thanks to rigorous selection of raw materials, partnership agreements with producers and the implementation of proprietary processes that give it competitive advantages.

### *Sale of plant extracts rich in OPCs to the nutritional supplements industry*

In 2020, most of the Plant Extraction division's turnover was generated by the sale of extracts from pine bark and grape seeds for the nutritional supplements and cosmetic ingredients markets. Grape seeds and pine bark are particularly rich in polyphenols, and notably OPCs (oligomeric proanthocyanidins), which play a role in protecting the cardiovascular system as well as having vein protection and anti-aging properties. The Group sells polyphenol extracts from maritime pine bark and grape seeds to distributors of nutraceuticals, which then sell them under their own brands. The Group also markets its own products under the brands Pineol and Premium Grape OPC.



	Pine bark	Pinéol® is a polyphenol extract derived from maritime pine bark with high concentrates of oligomeric proanthocyanidins (the rate of polyphenols in maritime pines is 99% including more than 90% oligomeric proanthocyanidins). Its aim is to offer producers of food supplements or nutricosmetics the benefits of the OPCs in pine bark.
	Grape seed	Premium Grape OPC is a polyphenol extract derived from grape seeds, which are rich in oligomeric proanthocyanidins (the rate of polyphenols in grape seed is 90% including more than 80% oligomeric proanthocyanidins).

### *Plant extracts for the cosmetics industry*





The active ingredients are high value-added vector ingredients. Their addition to a cosmetic formula enables a claim to be made about the cosmetic product's use ("prevents wrinkles", "reduces redness", etc.). Their integration percentage is low because they are very effective, due to the high concentration of molecules of interest. Berkem develops and manufactures innovative customised extracts in response to specific customer demand. Their performance is validated by biological tests proving their effectiveness.

Since 2010, the Group has launched six ranges of botanical extracts and floral waters for the cosmetics industry (including three launched in the last three years). Botanical extracts and floral waters are ingredients developed for incorporation into original formulations, in order to support the market in its quest for naturalness. Berkem's ranges currently intended for the cosmetics industry are all the result of discoveries dating back less than 10 years. Plant extracts and bio-sourced floral waters are marketed in formats that allow cosmetics manufacturers to use these solutions in a wide variety of their own ranges (creams, balms, lotions, serums, etc.).

The six Berkem product ranges for cosmetics manufacturers

Range	Launch date	Plants used	Technologies & scope of use
	2010	<p>Potentilla<sup>41</sup>, cocoa, maritime pine, green tea</p> <p>Plants chosen for their natural richness in polyphenols, more specifically in oligomers. Molecules whose anti-oxidant action (preservation of youthful skin) has been proven by numerous studies.</p> <p>These extracts are active cosmetic ingredients rich in plant polyphenols (more than 95%).</p>	<p>Active ingredients stabilised using the patented Phytovector technology: natural polyphenols are unstable molecules and have the particularity of being reactive, in particular oligomers when they are highly concentrated. Their anti-oxidant efficacy decreases over time and under the influence of certain factors – such as light, air or acidic or basic pH – following the oxidation of their free phenolic functions.</p> <p>The Phytovector method stabilises these functions by masking them by esterification. The polyphenols acquire a lipophilic nature, essential for transcutaneous passage and good bioavailability. The active form of these molecules is then released at the core of the epidermis thanks to the action of esterases, enzymes that are naturally present in the skin.</p> <p>The polyphenols in the Berkemyol® range are thus protected throughout the active ingredient manufacturing process and until their end-use. Berkemyol® provides anti-oxidant, anti-aging, anti-glycation, firming and even moisturising properties to skin care products or treatment make-up.</p>
	2012	<p>Strawberry, Quince, Blueberry, Oregano, Traditional or forgotten fruits, as well as aromatic plants whose leaves are beneficial.</p> <p>These extracts are active cosmetic ingredients that are 100% plant-based, rich in polyphenols and preservative-free.</p>	<p>Extraction techniques</p> <p>Polynektars provide properties that specifically address skin problems: soothing, anti-oxidant, anti-redness, radiance of the complexion or brightening.</p> <p>Derived from a rigorous selection of plants and extraction techniques, the activity of these active ingredients has been proven thanks to numerous efficacy tests (<i>in vivo</i>, <i>in vitro</i> and clinical studies).</p>

<sup>41</sup> *Herbaceous plants in the rosaceae family*

	2016	<p>Cornflower, Roman chamomile, lemon, orange blossom, grapefruit, grape, Damask rose, green tea, lemon balm, Mexican arnica, marigold, honeysuckle, lavender, olive tree, peach, maritime pine, grape seed</p> <p>The plants, whether exotic or traditional, have been carefully selected for their properties and their traditional use, and provide various essential natural benefits for face, body and hair care.</p>	<p>The extraction processes developed limit the impact on the environment and preserve the integrity of the active molecules naturally present in the plants.</p> <p>Botanical extracts are obtained using a responsible extraction process, carried out at low temperature and with short kinetics, in order to extract the maximum amount of active compounds while maintaining their effectiveness.</p> <p>Preservative-free and in the form of hydroglycerine, they are a source of active molecules (flavonoids, tannins, vitamins, AHAs, saponins, carotenoids, etc.).</p> <p>The floral waters, resulting from a distillation process and composed of aromatic molecules, are genuine “active waters” for the formulas.</p> <p>Available in conventional version, certain ingredients are also available in organic versions (Cosmos certified).</p>
	2018	<p>Quince, Oregano, Blueberry</p> <p>Global'Protek provides protection at several levels of the skin to induce various actions (restoration of the skin barrier, protection against attacks from the external environment, skin hydration, etc.).</p>	<p>Berkem has used its expertise in plant extraction and “omic” sciences to screen and develop these extracts.</p> <p>The range is composed of plant extracts from various origins.</p> <p><i>In vitro</i> tests were carried out to highlight the bio-mechanisms linked to these active cosmetic ingredients which are 100% plant-based, rich in polyphenols and preservative-free.</p>
	2019	<p>Rose of Provins, Marshmallow, Saffron</p> <p>By observing nature more closely Berkem has been able to find the flowers rich in active molecules to provide extracts that can help the skin fight repeated attacks.</p>	<p>The range brings together Berkem’s scientific and botanical expertise in plant extraction.</p> <p>The active cosmetic ingredients derived exclusively from French flowers help provide protection against the aggressions to which humans are subject, in the same way as flowers.</p>
	2020	Raspberry leaves	<p>Extract of raspberry leaves from sustainable agriculture in a controlled French sector. This active ingredient fights against the urban malady of pollution. It helps hair to regain its shine and provides a feeling of well-being.</p>

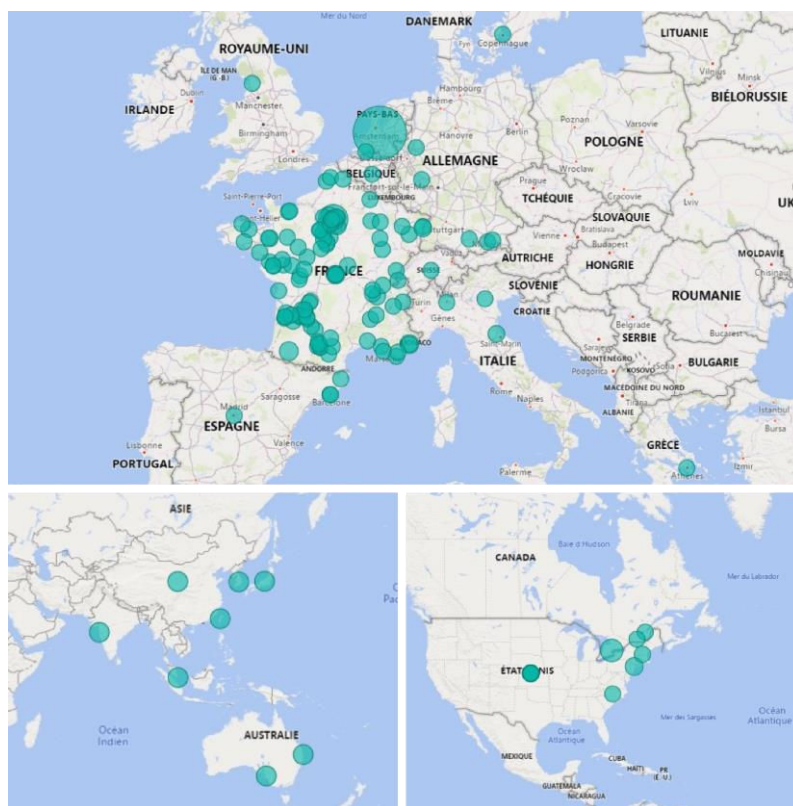
Plant extracts for the agrifoods industry

Berkem also offers plant extracts for the agrifoods industry (natural extracts, food and wine flavours) with a wide range of applications: ingredients, intermediate food products, food supplements (anti-oxidants: phenol compounds, oligomeric proanthocyanidins (OPCs), flavonoids, additives, flavourings, nutraceuticals, etc.).

Countries where Groupe Berkem's plant extracts are marketed

The graphic below shows the locations where Groupe Berkem markets its plant extracts. This marketing is mainly done through direct sales, except in Spain and Portugal where marketing is handled by distributors.

Locations where Groupe Berkem's plant extracts are marketed



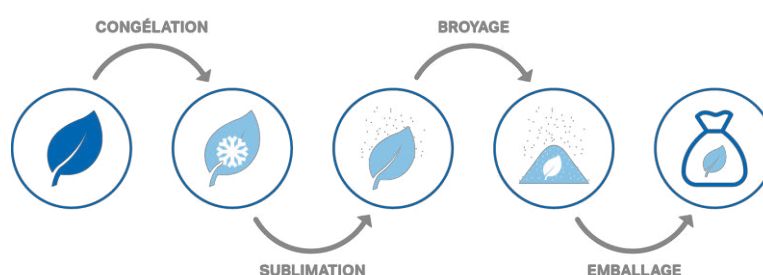
Source: Company

### 5.4.1.2 Eurolyo: the acquisition of customised freeze-drying know-how

In February 2018, Groupe Berkem acquired Eurolyo, providing the latter with the additional industrial resources necessary for its growth. Operational synergies with the Berkem subsidiary are numerous: same business sectors, common customers, upstream/downstream integration of products/packaged offers.

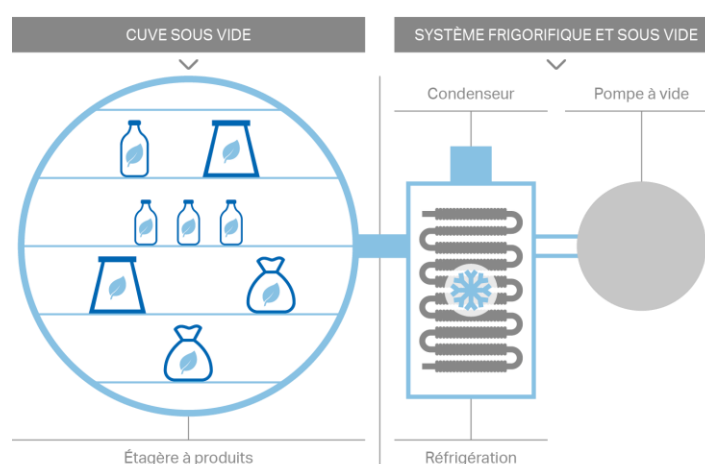
Located in Chartres in the heart of Cosmetic Valley,<sup>42</sup> Eurolyo has been a specialist in custom freeze-drying since 1995. The various freeze-drying processes make it possible to preserve all the organoleptic and nutritional qualities of the food as well as the fragile active ingredients intrinsic to the products, while extending their shelf life and facilitating their transport and storage.

Freeze-drying is a process of dehydration by sublimation at very low temperature and under vacuum. The treated product does not undergo any deterioration, its useful life is extended, while retaining its active bases; at the end of the process, it is presented in a form that facilitates its storage and transport.



Congélation	Freezing
Sublimation	Sublimation
Broyage	Grinding
emballage	Packaging

The operations are carried out using nine freeze-dryers of various capacities in a work area with a controlled atmosphere classified ISO 7, enabling procedures to be conducted under a controlled atmosphere with management of relative humidity.



Cuve sous vide	Vacuum tank
Étagère à produits	Product shelf
Système frigoriphique et sous vide	Refrigeration and vacuum-packing system

<sup>42</sup> Competitiveness cluster, created in 2014, specialised in the production of consumer goods in the perfumes and cosmetics industry in France covering the regions Centre-Val de Loire, Île de France and Normandy.

Condenseur	Condenser
Pompe à vide	Vacuum pump
Réfrigération	Refrigeration

Eurolyo's know-how meets the needs of the cosmetics and agrifoods markets (high-end products, delicatessen) but also provides customised services to meet the individual needs of very specialised business sectors: medical devices/galenics, transformation of plant matter and living organisms such as algae, food supplements (plants, bacteria), restoration of paper documents (such as flooded archives), etc.

Eurolyo can provide customised services in addition to freeze-drying (mixing, grinding, sieving, etc.) and including packaging (filling, capping, encapsulation, sealing of bottles, packaging in pouches). Eurolyo is certified "organic" by the ECOCERT Greenlife, COSMOS (Cosmetics) and AB (Organic Agriculture) labels.

Since the acquisition in 2018, to consolidate its development in the freeze-drying business, Groupe Berkem has tripled the surface area of the Eurolyo site in Chartres, increasing from 470 m<sup>2</sup> at 1,700 m<sup>2</sup>. This significant expansion was undertaken in order to adapt production capacities to the Group's objectives. In 2018, the 52 m<sup>2</sup> of technical shelving space restricted the volumes handled by Eurolyo to 63 tonnes per year. Now increased to 82.2 m<sup>2</sup>, the operational surface area can now process up to 105 tonnes per year.

#### 5.4.2 Formulation

Groupe Berkem's second specialised division, Formulation, is positioned in industrial markets, the timber industry and construction market, building and pest-control markets. In 2020 and at 30 June 2021, the Formulation division generated respectively 64.7% and 70.3% of the Group's combined turnover.

##### 5.4.2.1 Adkalis: innovative formulations to enhance materials performance

Adkalis designs, develops, produces and markets formulations that increase the durability of materials, and wood in particular, through its treatment and preventive solutions. Adkalis formulations (including the Group's own ranges and the FORESTER range, the only range of products outside the Group) preserve and protect wood and other construction materials against biological agents (for example, termites or wood-boring insect larvae or fungi) as well as damage caused by fire, humidity and UV radiation. Bringing together a series of long-standing wood protection brands within the same company, Adkalis is positioned as the leader in France and one of the top five European players in the timber and construction industry markets.<sup>43</sup>

Adkalis' professional targets are:

- 1<sup>st</sup> and 2<sup>nd</sup> stage wood processing industries (saw-mills, carpenters, joiners, manufacturers of panels, pallets, timber frame houses, etc.). These industries apply Adkalis preventive solutions; and
- construction and maintenance-renovation professionals (craftsmen, masons, applicators, etc.). They implement Adkalis' curative and preventive solutions.

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<sup>43</sup> Source: Company



Sold through a portfolio<sup>44</sup> of different brands with strong reputations among industry professionals, Adkalis' product proposals come in various forms for targeted actions: emulsions and microemulsions, gels, solvent solutions, pastes, films and powders. Each of these solutions provides specific protection and properties: insecticide, fungicide, fire-retardant, anti-UV, anti-humidity, decoration, maintenance.

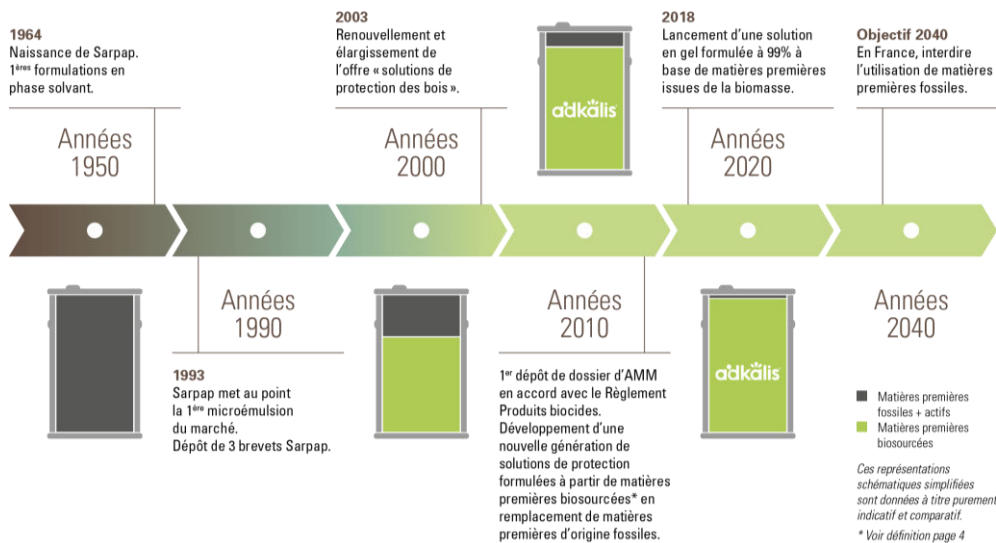
50 years of experience in the protection of materials

Initially founded under the name Sarpap (Société d'Application et de Recherches de Produits Anti-Parasitaires de droguerie et d'entretien) in 1964, Sarpap evolved, becoming Sarpap & Cecil Industries in 2009. In 2013, the Formulation division was organised into four companies: S&C Industries and S&C Construction formed the Formulation division. In 2016, the Formulation division acquired Lixol, in the resin industry, while in 2017 it acquired the Xylophène Industrie de Dyrup business held by PPG AC France. In October 2017, the two companies in the Formulation division (Sarpap & Cecil Industries and S&C Construction) merged to become a single entity: ADKALIS.

An approach centred on biomass raw materials

Historically, most formulations for the treatment and preservation of wood have incorporated a high percentage of products derived from fossil raw materials. To entrench and reinforce its commitment to developing a chemistry that respects the environment, safety and human health, Adkalis focuses on the renewal and optimisation of wood protection solution formulations to achieve the right dosage of active ingredients and replace fossil raw materials with biomass raw materials. The aim: to entrench and reinforce its commitment to developing a chemistry that respects the environment, safety and human health.

Constantly innovating to prepare for the challenges of tomorrow



Source: Company

Années 1950	1950s
Années 1990	1990s
Années 2000	2000s
Années 2010	2010s
Années 2020	2020s
Années 2040	2040s

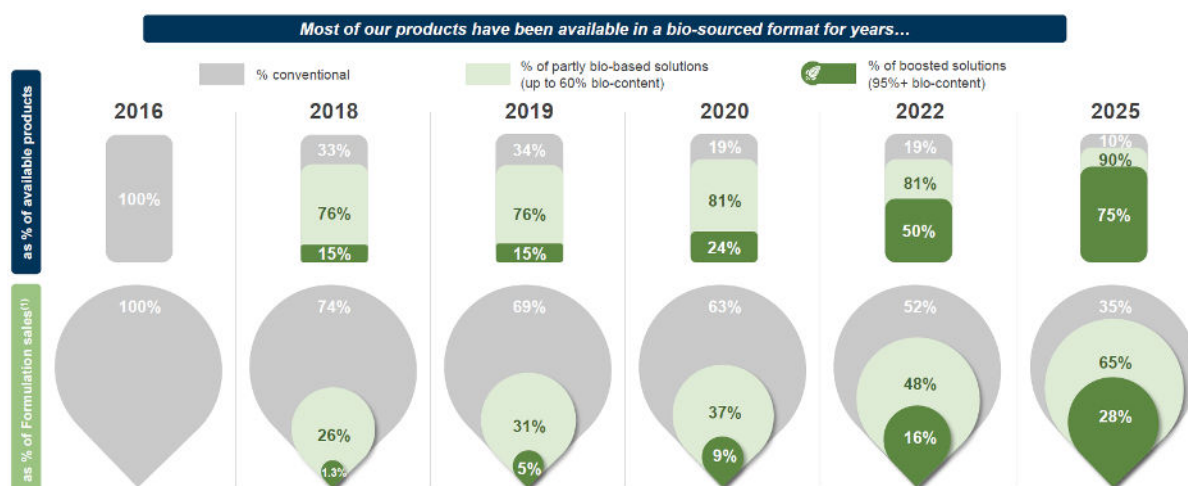
<sup>44</sup> Portfolio composed of proprietary brands with the exception of Forester brand products

1964 Naissance de Sarpap 1ere formulation en phase solvant	1964 Birth of Sarpap. First solvent-based formulations.
1993 Sarpap met au point la 1ere microémulsion du marché. Dépôt de 3 brevets Sarpap	1993 Sarpap develops the first microemulsion on the market. Filing of three Sarpap patents.
2003 Renouvellement et élargissement de l'offre « solutions de protection des bois »	2003 Renewal and extension of the “wood protection solutions” offer.
1er dépôt de dossier d'AMM en accord avec le Règlement Produits biocides. Développement d'une nouvelle génération de solutions de protection formulées à partir de matières premières biosourcées* en remplacement de matières premières d'origine fossiles	First MA filing in accordance with the Biocidal Products Regulation. Development of a new generation of protection solutions formulated from bio-sourced raw materials* to replace fossil raw materials.
2018 Lancement d'une solution en gel formulée à 99% à base de matières premières issues de la biomasse.	2018 Launch of a gel solution 99%-based on raw materials from biomass.
Objectif 2040 En France, interdire l'utilisation de matières premières fossiles	2040 target In France, ban the use of fossil raw materials.
Matières premières fossiles + actifs	Fossil raw materials + assets
Matières premières biosourcées	Bio-sourced raw materials
Ces représentations schématiques simplifiées sont données à titre purement indicatif et comparatif	These simplified schematic representations are for information and comparison purposes only.
*Voir définition page 4	*See definition page 4

With its new bio-sourced range designed using biomass raw materials to ensure durability and performance for wood-based products, Adkalis is opening up a new era for the entire wood industry (from wood processing to maintenance/renovation). Specially formulated to reduce the use of non-renewable fossil materials (and anticipate the ban on the use of fossil raw materials in France by 2040), these products meet the aim of using protection solutions suited to the plant-based nature of wood. Groupe Berkem thus reinforces its sustainable development approach.

Groupe Berkem's motivation to present essentially bio-sourced products on the market is based on the observation that the major contractors, which use wood in building construction and promote it as one of the few living materials, rarely use plant-based solutions for its preservation. A paradox for these building and timber industry professionals who promote noble and natural products. The solutions proposed by Adkalis enable this virtuous approach to be completed.

## Adkalis: a constantly growing range and sales of bio-sourced products



Source: Company

### A presence throughout the value chain

Adkalis is present at every stage of the timber value chain (plantations, transformation, construction, renovation and maintenance) through all the specific ranges offered by its brands.<sup>45</sup> Specially formulated ranges can also be used for the treatment of hard materials used in construction or renovation of buildings (exterior or interior).

Adkalis offers solutions at each stage of the chain:

- **Plantations, Harvesting and Marketing.** Insecticides and other solutions from FORESTER (brand of the UPL ARYSTA group distributed by the Group) are intended to preserve plants and logs in nurseries and forestry. Adkalis is the exclusive distributor of FORESTER insecticides in mainland France and French overseas territories.
- **First and second stage processing.** Adkalis offers solutions for sawing, cutting, drying, treatment and planing of wood through its Xylophène Industrie and Axil brands.
- **Timber construction.** Adkalis offers solutions for builders, carpenters and manufacturers specialising in timber construction through its brands Xylophène Industrie, Axil and Xilix brands.
- **Industrial.** For industries producing wooden floors and frames, Adkalis offers solutions through its Xylophène Industries and Axil brands.
- **Renovators, Craftsmen, Masons, Appliers.** For renovation professionals, craftsmen, masons and appliers, Adkalis offers a range of solutions through its Sarpap, Xilix and Termifilm brands.

<sup>45</sup> As a reminder, apart from the Forester brand products, all Adkalis products are proprietary to the Group.



Source: Company

Industrie du bois	Wood industry
Exploitation Pépinière & Sylviculture	Operations Plant nursery and forestry
Récolte et commercialisation Bûcheron	Harvest and marketing Logger
Première et deuxième transformation Sciage, tranchage, Séchage, traitement, rabotage	First and second stage processing Sawing, slicing, drying, processing, planing

Distribution des bois transformés A destination des revendeurs, des distributeurs, des constructeurs et des industriels	Distribution of processed wood For resellers, distributors, builders and industrialists
Construction en bois Constructeurs, Charpentier, Industriels	Timber construction Builders, carpenters, industrialists
Industriels Huisserie, Sols	Industrialists Frames, floors
Rénovateurs Bâtiments et bois intérieurs	Renovators Buildings and wood interiors
Autres matériaux Artisans, Maçons, Applicateurs	Other materials Craftsmen, Masons, Applicators

*A proprietary range<sup>46</sup> of curative and preventive solutions.*

Adkalis products are intended to make the use of wood in construction durable by adding new properties. The range includes:

- ***Insecticides to protect against termites and wood-boring insect larvae.*** The larvae of wood-boring insects and termites pose a significant threat to wood. Adkalis responds by offering a complete range of insecticide products, available in various forms for targeted actions: emulsions and microemulsions, gels, solvent solutions, pastes, films and powders.
- ***Fungicides.*** Fungi and mould can destroy wood and also affect its appearance. Adkalis offers a complete range of fungicide products to protect wood against these attacks.
- ***Fire-retardant and intumescent products.*** To protect wood against fire, in early 2021, the Group launched a range of fire-retardant and intumescent products for wood.
- ***Anti-UV and Anti-Humidity Products.*** The durability and appearance of wood can also be damaged by humidity and UV radiation. Adkalis offers a range of products to protect wood against these risks.

***Brand portfolio***

- **AXIL.** The AXIL brand offers a range of products for wood professionals: saw-mills, carpenters, joiners, manufacturers of wooden panels, pallets or timber construction and wood traders. Its preventive solutions for the preservation of wood and its derivatives improve: resistance to biological agents or climatic aggressions; resistance against wood-boring insect and larvae (various beetles, etc.), termites and fungi; protection against UV rays and humidity. This range is available in liquid form in its aqueous phase (microemulsion) or as a gel. The products are applied onto the surface or by impregnation via industrial processes (dipping, spraying, vacuum/pressure autoclave). All products can be tinted.
- **XILIX and XYLOPHÈNE Industrie.** The XILIX and XYLOPHÈNE Industrie brands are aimed at wood manufacturers and professionals in the construction and maintenance-

<sup>46</sup> Excluding Forester brand products

renovation of buildings. They offer a range of preventive and curative treatments for wood used in buildings (by waterproofing or impregnation) to provide resistance to biological agents (wood-boring insect and larvae, termites and/or fungi, etc.) and to fire.

- **TERMIFILM.** The TERMIFILM brand is aimed at construction professionals: craftsmen, masons. It offers a range of products designed to provide long-lasting protection for new buildings against aggressions from outside. Positioned at the junction of the ground and the building, these products provide protection against termites. TERMIFILM benefits from an innovative and patented manufacturing process, which results from the grafting of active materials into plastic films without any risk of release and thus without danger for the environment. TERMIFILM and TERMIPROTECT are films that protect new buildings against termites.
- **SARPAP.** The SARPAP brand is aimed at renovation professionals, craftsmen, masons and applicators.
- **FORESTER** is a brand belonging to the UPL ARYSTA group, whose treatment solutions for the preservation of plants and logs are offered exclusively by the Adkalis subsidiary, in line with Groupe Berkem's desire to cover all treatment solutions for the timber industry.

#### Commercial approach

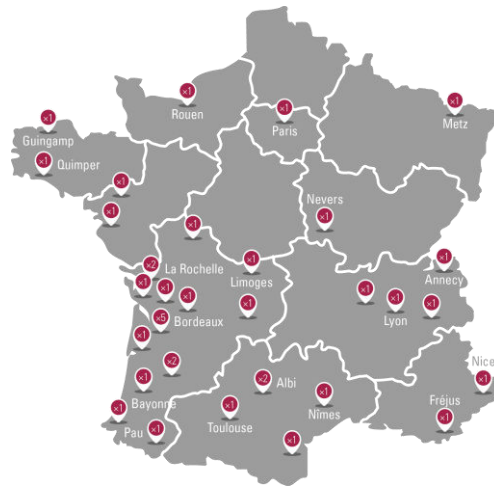
Adkalis has more than 750 professional customers in the timber industry (saw-mills, carpenters, joiners, manufacturers of wood panels, pallets, timber-framed houses) and more than 1,000 professional customers in the construction and maintenance-renovation sectors (craftsmen, masons, applicators of preventive and/or curative solutions for the protection of wood and hard materials). The top ten customers of Adkalis represented 25.2% of Adkalis' turnover in 2020, they represented 26.3% of Adkalis' turnover at 30 June 2021.

*Business strategy.* Adkalis strives to promote the quality of its products through traditional approaches:

- B2B, customers and order-givers using communication materials: advertisements in professional magazines, flyers, brochures, videos, etc.;
- participation in major trade shows in the timber industry (*Carrefour International du Bois, Forum Bois Construction*, for example) or in events organised by national retailers (*Tout Faire Matériaux*, for example).
- B2B2C: support in co-branded communication materials: flyers, site panels, brochures, etc. provided to our customers for their customers.
- B2C approach: dedicated website, Google Ads campaigns (*XILIX Expert Habitat* website).

*Xilix Expert Network.* Adkalis conducts an active marketing approach to promote the quality of its products to professionals and ensure optimal use of its products by end-customers. To this end, the company created the XILIX Expert Network, the first national network specialising in the renovation and maintenance of exterior wood. Each of the professionals who are members of the network combines his or her expertise in construction standards for exterior wooden structures with a perfect knowledge of wood. Equipped with specific equipment and products from the XILIX Expert range, these professionals guarantee customers, both individuals and local authorities, durable, high-quality services: personalised diagnostics and recommendations, a guarantee of quality and proper use of the products applied.

83 departments in mainland France are covered by around 30 XILIX EXPERT partner professionals



*Source: Company*

In order to accompany its professional customers as closely as possible, Adkalis offers tutorials and delivers both theoretical and practical training, organised in four one-day modules each covering the fundamentals, wood, diagnostics and products.

*Specialised sales teams by sector.* A team of specialised professionals constitutes the sales force, deployed according to the specificities of the markets and products:

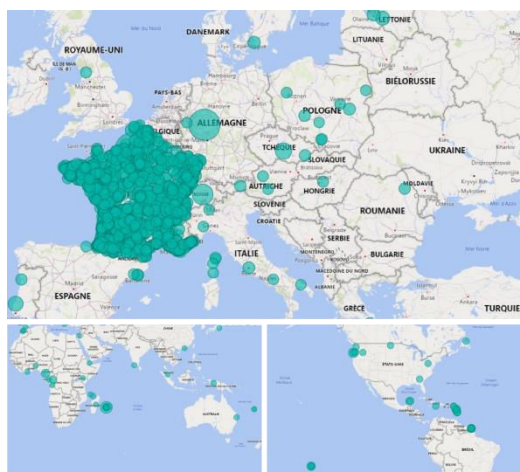
- **industry** (one sales manager, one sales assistant, eight sales representatives including two sales agents and a market manager specialising in the anti-blue range);
- **construction** (one sales manager, two sales assistants, six sales representatives and 10 sales agents for the Termifilm and Sarpap product ranges (in progress) plus a market manager specialising in wall drying ranges, XILIX Expert, Termifilm (trade), Sarpap (trade and craftsmen); and
- **export** (one sales manager, one sales assistant and three sales representatives).

Adkalis' solutions are deployed in Asia, Africa and overseas territories (16% of Adkalis' turnover for the 2020 financial year). Concerning the African market in particular, Adkalis sells FSC-certified solutions designed in accordance with the recommendations of the Forest Stewardship Council<sup>47</sup> Pesticides Policy. In the Australian and Asian markets, the treatment solutions sold are Codemark and Singapore Green Label certified, which attest to the suitability of the products in terms of effectiveness.

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<sup>47</sup> [www.fsc.org](http://www.fsc.org)

## Countries in which Groupe Berkem's wood protection products and materials are marketed



Source: Company

### 5.4.2.2 Lixol: recognised expertise in the synthesis of alkyd resins.

Acquired by Groupe Berkem in 2017, Lixol produces and markets (since 1960) resins for the paint and varnish industries in the construction sector, as well as the wood treatment and ink industries. Lixol specialises in the production of so-called alkyd resins produced from vegetable oils, raw materials from organic chemistry and petroleum solvents. Lixol's production infrastructure allows it to supply more than 70 customers (mainly in France and North Africa) with products in various forms: solvent-free resins (high solids range), resins in solutions using various solvents (white spirit and other petroleum solvents, which Groupe Berkem is gradually replacing with bio-sourced plant-based solvents), resins in emulsions (diluted in water).

#### *Expert in the market of alkyd resins since 1960*

Founded in 1960, Lixol responded from its very beginnings to the demand for specific products from paint, varnish and wood treatment manufacturers close to the Bordeaux region. Over the years, Lixol has built up a range of resins and derivatives that meet both national and international needs. The last two years have brought Lixol into the era of plant chemistry and the company is growing thanks to the synergy between Groupe Berkem subsidiaries (supply of new bio-sourced raw materials, development of know-how related to handling of biocides, acquisition of alternative technologies).

#### *Lixol resins*

Lixol produces specially adapted alkyd resins to optimise the performance and value of products in the paint and varnish industries in the construction sector, as well as in the wood treatment and ink industries. The resins at the heart of Lixol's speciality are called "alkyds", a contraction derived from the terms "alcohol" and "acid". Lixol resins, high value-added solutions, address specific issues in the manufacturing, timber and construction sectors. Each product has its own composition (nature and percentage of oil used, preferred solvent, viscosity, colour) and characteristics (type of building targeted, interior/exterior, type of paint targeted, durability, coating ability, dispersion, wetting ability, solubility, odour, UV resistance, etc.).



## Composition of Lixol resins



*Source: Company*

Huile	Alcool	Acide	Solvant	Votre résine
Oil	Alcohol	Acid	Solvent	Your resin

Lixol resins are made from vegetable oils, various raw materials from organic chemistry and petroleum solvents (white spirit). All Lixol resins are made using vegetable oils, with a wide choice of raw materials (sunflower, soybean, flax, tung oil, castor oil). The first stage makes the oil compatible with alcohol using two processes: monoglyceride (to transfer the fatty oil chains to the alcohol) and acidolysis (to transfer the fatty oil chains to the acid). The second stage is the polyesterification obtained by an esterification reaction in order to build a polymer. This reaction is a balance between the alkyd resin and water: shifting this balance by removing the water creates the alkyd.

The production facilities enable different types of resins to be supplied: solvent-free, in solutions using various solvents or in emulsions (diluted in water). All Lixol products comply with the European REACH regulation for the registration, evaluation and authorisation of chemical products. Lixol products are marketed on the ground by two employees who try to win business from paint manufacturers and industry professionals.

### Customers and marketing

Lixol products are marketed on the ground by two employees who try to win business from paint manufacturers and industry professionals. The top ten customers accounted for 70.5% of Lixol's turnover at 31 December 2020 and 72.8% of Lixol's turnover at 30 June 2021.

### Resins from Lixol's eco-responsible and sustainable approach

The most recent innovation involved the production of resins, with the Préserv' range. Until now, with the biocide content of the alkyd resins it was not possible to provide sufficient protection to the products in the aqueous phase that contained them. However, products packaged in the aqueous phase are sensitive to the growth of bacteria and mould. Manufacturers were then forced to add biocides themselves to preserve the conditioned paint during storage.

To resolve this problem, Lixol has designed the Préserv' range, which consists of two products: Lixaqua Préserv' and Lixomat Préserv'. These two products ensure the long-term preservation of the paint, reduce regulatory constraints, reduce the handling of biocides during the production phases and reduce the manufacturing time of paints and lacquers.

For several years, Lixol's research and development laboratory has been working on the manufacture of a resin made from bio-sourced and renewable raw materials, which can replace raw materials from petrochemicals. This approach is reflected in the fact that Lixol has chosen to work closely with suppliers of raw materials who share its vision, which may notably result in the application of the "mass balance" principle.

More generally, the objective of this eco-responsible approach is to actively participate in the structuring of a sustainable and responsible bio-economy, by reducing the negative impacts of Lixol's products and activity on the environment, reducing the use of fossil resources as much as possible, reducing

greenhouse gas emissions related to the Company's activities, while offering products whose technical properties are at least as good as those on the market.

In this context, the Lixol laboratory has developed a new resin: LIXOGLYP 10 95 00. The design of the LIXOGLYP 10 95 00 resin was driven by Groupe Berkem's ongoing strategy of working towards sustainable and responsible chemistry, in particular by using bio-sourced raw materials, as well as towards green chemistry.

#### 5.4.2.3 Synergies between Adkalis and Lixol

Within Groupe Berkem, its two subsidiaries, Lixol and Adkalis, apply their synergies to the supply of bio-sourced raw materials, the development of know-how related to the handling of biocides, and the acquisition of alternative technologies from biomass. They collaborate on research and development as well as production (for example, the Lixomat Hydro resin usually produced at La Teste-de-Buch in a maximum batch of 180 kilos can be produced in batches of 5,000 kilos by Adkalis on the Gardonne site).

#### 5.4.2.4 Koalib

In April 2020, to cope with the shortage of hydroalcoholic gel and meet the growing demand for disinfectant solutions caused by the Covid-19 pandemic, the Group launched Koalib, a new line of disinfectant solutions. The KOALIB line of sanitising solutions consists of three products: (i) K'Gel Hydroalcoolique, a rapid hand disinfection solution; (ii) K'Désinfectant, a ready-to-use bactericidal-fungicidal-virucidal product; and (iii) concentrated K'Désinfectant, to be diluted with water, a disinfectant product with a concentrated bactericidal-fungicidal-virucidal formula. This product range is marketed mainly through direct online sales.

The Group created these new solutions in just two weeks, demonstrating its ability to combine historical expertise to promote more virtuous chemistry within traditional chemistry. The Koalib range, a hydroalcoholic gel and solution, has been tested and presents virucidal activity demonstrated on coronaviruses that meets the EN14476 standard. The extremely short timeframe (less than two months) in which this line was launched highlights expertise and legitimacy at all levels:

- in-depth knowledge of pathogens and biocide formulation as well as experience in handling them;
- speed of reaction of the R&D teams and ability of the teams to adapt – they were able to reorient the industrial facilities and reorganise themselves by showing imagination and agility; and
- Groupe Berkem's sales and marketing force, which switched to a 100% web-based offering.

The entire Koalib range currently available meets the requirements of the European nomenclature in the regulations on biocide products.

#### 5.4.2.5 Plant-based boosters

The plant-based boosters developed by Groupe Berkem are original and reliable active ingredients whose quality is rigorously controlled throughout the manufacturing process. Entirely bio-sourced, they are designed to be combined with synthetic products to significantly reduce the quantity of these products and improve the performance, thus limiting the harmful effects on people or the environment, with identical effectiveness.

The production of boosters results from the convergence of the Group's expertise, including in its industrial facilities. In addition to the product design and formulation know-how, the production lines for boosters are in place (refer to section 5.5 of the Registration Document).

The manufacturing processes remain unchanged and can be adapted to existing industrial production facilities, if these are adequate, or can be supplemented through additional investments depending on the products to be developed. Located on a single site, the production lines of Adkalis and those of Berkem's plant extraction unit can be used together, if necessary, to produce finished products.

Plant-based active ingredients are used from the formulation stage alongside synthetic molecules when a biocide function (anti-fungal, insecticide, antiviral, anti-microbial) is sought. In recent years, Groupe Berkem has applied these plant-based boosters to most of its product lines. At 30 June 2021, 81% of the Group's product portfolio includes bio-sourced components.

Groupe Berkem can also offer its customers bio-sourced boosters at different stages of their use. Plant-based boosters can be ordered on their own, but Groupe Berkem's expertise also allows it to pre-formulate or completely formulate them, by combining them as necessary to support customers in their regulatory procedures. Since 2021, Groupe Berkem has offered standard formulas to the market in order to facilitate administrative procedures and enable rapid product launch reactivity.

By 2023, the Group's objective is to offer the market original molecules to manufacture plant-based insecticides/biocides. This time horizon is considered to be achievable since the products have already been developed and the raw materials sourced. In addition, pilot production runs and effectiveness tests have also been carried out, regulatory applications have been submitted and the processes for examining applications by European and North American authorities are under way.

As a reminder, the construction, paints and varnishes, pest control and other activities addressed by the Formulation division represent 64.7% of combined turnover for the financial year ended 31 December 2020 and 69.7% of combined turnover at 30 June 2021. The nutritional supplements, active cosmetic ingredients and the agrifoods industry and other activities addressed by the Plant Extraction division (including freeze-drying) represented 35.3% of combined turnover for the financial year ended 31 December 2020 and 29.7% of combined turnover at 30 June 2021.

## **5.5 State-of-the-art industrial facilities to ensure optimum yields**

Groupe Berkem's industrial facilities enable it to benefit from consistent and high-performance resources to manage the continuity of an entire integrated organisational chain: the integration of Lixol within Groupe Berkem's Formulation division, for example, secures purchases of resin for Adkalis.

The industrial facilities are designed to manage the entire process from start to finish, from the raw material to delivery of the high quality product to the customer. In the field of extraction, for example, Berkem carries out all phases of plant extraction on its site: grinding, primary extraction, purification and separation of the various phases, etc. Only the purchase of raw materials is dependent on external suppliers, but the company could eventually decide to secure certain plant cultivation in order to operate independently upstream of its production chain.

Synergies make it possible to pool and combine industrial know-how to achieve economies of scale. They also make people more creative and as such are a source of innovation.

In addition to these economic benefits, working in synergy and internally is of strategic interest. It makes it possible to avoid using "ready-to-use" formulas and, for example, to only work with pure biocides in order to produce technical-grade molecules and the highest-grade active ingredients (a relatively rare position in the industrial chemicals market, providing Groupe Berkem with a competitive advantage). Lastly, from an ethical standpoint, this integration of processes and players guarantees compliance with confidentiality agreements signed with customers.

In order to guarantee sufficient production capacities, significant investments were made during 2019 and 2020. Over this period, Groupe Berkem invested €3.5 million in capacity and modernisation of its sites (in particular to significantly increase the production capacities of Lixol and Eurolyo). In 2018, Groupe Berkem invested €1.5 million in its Gardonne site to increase production capacity for some of its plant extracts by 30%.

Summary table of the three Groupe Berkem industrial sites

Site	Business lines	Area	Technologies used
Gardonne <i>Nouvelle-Aquitaine</i>	Plant extraction and formulation	50,000 m <sup>2</sup> of which 5,000 m <sup>2</sup> covered	Grinding Maceration Concentration Separation by decanter centrifuge Extraction – all solvents Purification and concentration Decantation Centrifugation Precipitation Distillation Crystallisation Thermisation Drying and atomisation Powder mixes Fine chemicals Esterification Etherification Semisynthesis Vectorisation Encapsulation Acid and enzymatic hydrolysis Characterisation of active ingredients Micro and nano emulsions
Chartres <i>Centre-Val de Loire</i>	Plant extraction	1,700 m <sup>2</sup> including 82 m <sup>2</sup> of processing areas	Freeze-drying
La Teste-de-Buch <i>Nouvelle-Aquitaine</i>	Formulation	6,200 m <sup>2</sup> including 1,800 m <sup>2</sup> covered	Polyesterification

*Source: Company*

### 5.5.1 Industrial facilities dedicated to plant extraction

This facility is characterised by its adaptability and its ability to implement the customised approach that sets Berkem apart from its competitors. It is thus able to adapt to all market volumes, from pilot scale to industrial production, with the exception of extremes that do not correspond to the needs of Groupe Berkem's customers (a few grams for pharmaceuticals or very large volumes for mass market active ingredients without added value).

At the Gardonne site, the current production of the extraction site is 32 tonnes of extracts for cosmetics and 200 tonnes for agrifoods per year. The Group considers that around 90% of its plant extraction production capacity was used during the first half of 2021. The Group has available land on its Gardonne site that it has planned to develop to increase its production capacities. The investments required are not significant.

At the Chartres site, Groupe Berkem has nine freeze-dryers with capacities ranging from 12.5 kg to 200 kg, as well as grinders and sieves. In addition, a clean room of 175 m<sup>2</sup> allows specific processes to be carried out to very high standards in terms of product purity, preservation of qualities and stabilisation.

To consolidate its development in the freeze-drying business, Groupe Berkem tripled the area of Eurolyo's Chartres site, which increased from 470 m<sup>2</sup> to 1,700 m<sup>2</sup>. This significant expansion was carried out to adapt production capacities to its targets. Although volumes processed were limited to 63 tonnes by the 52 m<sup>2</sup> of technical shelving, which has now been increased to 82.2 m<sup>2</sup>, the operating area can handle up to 105 tonnes per year.

#### Features of the industrial facilities at the Gardonne site (Berkem – Plant extraction)



*Stainless Steel filter drier: 3,000 litres (working pressure:  
vacuum/atmospheric pressure)  
Processing of 2,000 kg of plant materials per week.*



*3 x 5,000 litre maceration tanks (steam heating)  
Characteristics: semi-continuous operation  
Rate for a simple extract: 30 tonnes of plant materials per week*





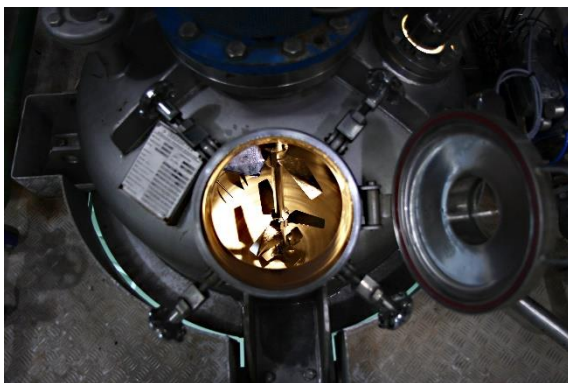
Water: 1 tonne/hour // Solvent: 3 tonnes/hour  
 Continuous flow work  
 Minimum batch: 4 to 5 m<sup>3</sup> (working pressure:  
 vacuum/atmospheric pressure)  
 2 x 30,000 litres tanks for recycling solvents



Powder mixes  
 Capacity: 1 tonne of powder/batch  
 Food and cosmetics environment  
 Pneumatic powder transfer  
 Storage hoppers 2 x 1.8 m<sup>3</sup>  
 Sieving from 2 mm to 180 μm



Concentrating reactors from 100 to 10,000 litres  
 7 enamelled reactors, Pyrex columns and accessories  
 14 stainless steel reactors  
 (working pressure: vacuum/atmospheric pressure)



Pilot atomiser: flow rate: 1 kilo of water/hour // Minimum batch: 50 grams of dry matter  
 Turbine atomiser: flow rate: 100 kilos of water/hour // Minimum batch: 100 litres of solution  
 Capacity: 2 tonnes of liquid atomised per 24 hours  
 3 x 1,000 litre atomisation preparation tanks

Features of the industrial facilities at the Chartres site (Eurolyo – freeze drying)



*Shelf freeze dryers (processing surfaces)*



*Loading a liquid product*



*Loading a solid product*



*Closing a freeze-dryer*



*Unloading a freeze-dried product*

*Source: Company*

### 5.5.2 Industrial facilities dedicated to formulation

The industrial facilities include mixers for the manufacture of gels (high shear mixers) and microemulsions.

The products formulated by Adkalis for the improvement and performance of materials have a tonnage of 4,800 tonnes per year. The Group has the capacity to significantly increase production capacity given that, according to its estimates, it is operating at only 50%.



Groupe Berkem has various reactors, with the commissioning of a cold water loop to improve the performance of the facilities and reduce the impact on the environment, diluters, tanks for the storage of liquid raw materials and a compartmentalised tank of 30 m<sup>3</sup> for bulk deliveries of resins.

The resins produced by Lixol amount to a tonnage of 3,000 tonnes per year (of which 15% are destined for export). For this subsidiary, too, production tonnages may be increased due its additional production capacity. The Lixol site is normally operates in 3x8 and the goal is to switch to 5x8 from January 2022 (the plant extraction activity has already switched to 5x8).<sup>48</sup>

*Features of the industrial facilities at the Gardonne site (Adkalis – Formulation)*



*10,000 litre mixer for the manufacture of microemulsions*



*Automated concentrate dilution station*



*Semi-automatic packaging machine (30 litres)*



*Semi-automatic packaging machine (600 litres)*

*Source: Company*

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<sup>48</sup> 3x8 work indicates that three shifts work on the same workstation in eight-hour shifts to ensure 24-hour operation. 5x8 work indicates that five shifts are working on the same workstation, in order to ensure operation 24 hours a day, seven days a week.

*Features of the industrial facilities at the La Teste-de-Buch site (Lixol – alkyd resin synthesis)*



*10 m<sup>3</sup> reactor for manufacturing molten resins*



*23 m<sup>2</sup> Dilution/manufacturing tank and dilution workshop*



*1,000 litre packaging station*



*Dilution workshop*

*Source: Company*

### 5.5.3 Industrial maintenance

The Maintenance & Technical Department ensures the proper functioning of all sites (buildings and real estate, production facilities, equipment). Groupe Berkem has set up a team, under the responsibility of the Technical Director, which has grown over time in terms of both the number of employees and the diversity of profiles and skills. The 20 or so employees are “multi-site” but are mostly based at the Gardonne site. The Maintenance Department makes very little use of external engineering service providers: in addition to carrying out “small new jobs”, the team is dedicated to industrial and real estate development projects for all of Groupe Berkem.

All the production equipment of the Group’s various industrial sites is connected and can be managed from the Gardonne site in order to check any malfunctions or breakdowns of production equipment and remedy any problems remotely as far as possible.

## 5.6 Innovating through a strong Research & Development policy

### 5.6.1 Research & Development at the heart of Groupe Berkem

Research and Development is at the heart of the Group’s innovation strategy. With four laboratories dedicated to R&D and a team of 15 employees including eight engineers or PhDs, the R&D teams are one of the Group’s strengths. Over the last three financial years, an average of nearly 100 projects per year were conducted by the Group’s R&D teams (Research Tax Credit and Innovation Tax Credit), of which 75% were in partnership with customers, for annual budgets of €3.6 million in 2020, €3.6 million in 2019 and €3.9 million in 2018. In the first half of 2021, this budget was €1.5 million. Groupe Berkem's activities for its customers have been eligible for Research Tax Credit expenses since 2014. The Group benefited from the Research Tax Credit and the Innovation Tax Credit for respective amounts of €1 million in 2020, €1.1 million in 2019 and €1.2 million in 2018.

The objective of the Group’s R&D teams is to maintain constant innovation to enrich all of the Group’s ranges with products incorporating compounds derived from plant extraction, to propose products with very high added value (particularly in the context of specific developments or co-development with customers to consolidate long-term business relationships) and anticipate market changes.

An important area of research concerns the use of plant chemistry in the biocide industry, in order to reduce the impact on the environment and toxicity, and in which the scope of authorised products is increasingly limited (more than 75% of chemical substances marketed prior to the implementation of the European REACH regulation are no longer marketed<sup>49</sup>).

Groupe Berkem researchers regularly publish the results of their research in articles in specialised journals and are recognised by the scientific communities in the various fields.

The efforts of the R&D team have given rise to numerous innovations, including the creation of new formulations derived from green chemistry, such as non-yellowing resins; and the development of existing products based on customer demand, with for instance, products for the protection of Cross-Laminated Timber (CLT), products made from bio-sourced ingredients to meet the demand for environmentally-friendly solutions.

Developing customised products for existing or potential customers is an investment that will generate recurring turnover streams in the future. Thus, the Xilix Expert offering developed for the renovation of exterior wood surfaces has won the loyalty of market players who have put their trust in Adkalis for 20

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<sup>49</sup> The European REACH regulation (Regulation No. 1907/2006) came into force in 2007 – Registration of all substances manufactured or imported in quantities of more than 1 tonne per year/23,000 chemical substances registered out of 100,000 identified

years to protect the terraces and wood cladding that they produce. Now that it is time to renovate, Adkalis has set out to develop a range of products and tools to accompany its long-term partners.

In the cosmetics sector, the Berkem R&D laboratory has patented a method for stabilising polyphenols, known to be unstable molecules, consisting of protecting the phenolic functions using ester functions. The active form of stabilised polyphenols is released at the core of the epidermis thanks to the action of esterases, enzymes that are naturally present on the surface of the skin. This unique technology enables the active molecules to be protected until they are applied to the skin.

#### 5.6.2 The protection of formulations and know-how as the main focus of industrial protection

##### Intellectual protection combining know-how and patents

In accordance with industry practices, the Group favours a strategy that ensures the confidentiality of the formulations designed and the industrial know-how that it develops. However, the Group also files patent applications to protect its innovations.

The first family of patents corresponds to the formulation of an “anti-UV additive” for which the patent (No. 12162885.3) was granted in France on 26 February 2014 and validated Europe-wide on the same date by the European Patent Office. The initial expiry date of these patents is 2 April 2032. A patent (No. 1152676) relating to the same field of expertise had previously been granted in France on 17 May 2013 with an initial expiry date of 31 March 2031.

The second family of patents corresponds to the formulation of an “anti-termite barrier” for which the patent (No. 11171186.7) was granted in France on 27 February 2019 and validated Europe-wide on the same date by the European Patent Office. The initial expiry date of these patents is 23 June 2031. A patent (No. 1054995) relating to the same field of expertise had previously been granted in France on 8 February 2013 with an initial expiry date of 23 June 2030.

The third family of patents concerns the formulation of a “heat-shrinkable anti-termite barrier” covering two patents (Nos. 14164441.9 and 1059432) in France granted respectively on 17 November 2010 and 17 November 2011. The initial expiry dates of said patents are 17 November 2030 and 17 November 2031.

In addition, due to the acquisition in 2017 of Dyrup's Xylophène Industrie business held by PPG AC France, the Group benefits from a fourth family of patents also dedicated to termite control (and, more broadly, against isopterans) through French patent FR0857714 filed on 13 November 2008 and which relates to a “multi-layer plastic film for the protection of buildings against harmful isopterans” and which has an initial expiry date of 3 November 2028.

The fifth family of patents concerns “Bimosyn” plant biocides, for which the patent (No. EP16190458.6) was granted on 19 August 2020 by the European Patent Office and validated in France, Belgium and Switzerland/Liechtenstein.

The sixth family of patents concerns the design of an “anti-rodent film”. The patent (No. 16 58962) was granted in France on 28 June 2016. The initial expiry date of this patent is 23 September 2036. A second patent in France from European application No. 17192680.1 was granted on 7 April 2021. It expires on 22 September 2037.

The seventh family of patents corresponds to the formulation of a “hydrophobic” patent for which the patent (No. 1657354) was granted in France on 16 August 2019. The initial expiry date of this patent is 29 July 2036.

The eighth family of patents corresponds to the formulation of a “fire-retardant” for which the patent (No. 111786762.8) was granted in France on 15 April 2015 and validated Europe-wide on the same date

by the European Patent Office. The initial expiry date of this patent is 26 October 2031. An initial patent in France was granted on 23 August 2013 under number 10 58796. It expires on 26 October 2030.

The ninth family of patents corresponds to the formulation of a “luminescent product” for which the patent (No. 111786760.2) was granted in France on 7 February 2018 and validated Europe-wide on the same date by the European Patent Office. The initial expiry date of this patent is 26 October 2031. An initial patent in France was granted on 7 November 2014 under number 10 58798. It expires on 26 October 2030.

The tenth family of patents corresponds to a process for the esterification of OPCs (oligomeric proanthocyanidins) for which the patent (No. 10718689.2) was granted in France on 7 June 2017 and in other European countries (Austria, Germany, Switzerland/Liechtenstein, Belgium, Spain, the United Kingdom, Ireland, Italy, Luxembourg, Monaco, the Netherlands) following validation on the same date at European level by the European Patent Office. The initial expiry date of said patents is 12 April 2030.

The eleventh family of patents corresponds to a “Resveprotect” plant esterification process for which the patent (No. 1453503) was granted in France on 6 May 2016. The initial expiry date of this patent is 17 April 2034.

The twelfth patent family covers a “virucidal plant extract”. A patent application in France was filed on 3 March 2021.

Four patent applications are being drafted and will be filed by the end of 2021.

#### Domain names

The Group owns the following domain names:

BERKEM, alopak.com, cecilindustriel.com, cecilindustriel.net, cecilindustriel.eu, ceciltermifilm.net, ceciltermifilm.eu, cecil-termifilm.net, cecil-termifilm.eu, chimybat.net, chimybat.eu, sarpap.net, termigranuls.eu, termigranuls.net, termigranul.com, termigranul.fr, termigranul.net, termigranul.eu, cecil-industriel.com, cecil-industriel.net, cecil-industriel.fr, cecil-industriel.eu, termitol.com, termitol.fr, termitol.net, termitol.eu, bergenol.eu, berkemyol.eu, berkemyol.net, berkemyols.com, berkemyols.eu, berkemyols.fr, berkemyols.net, extrait-vegetal.com, extrait-vegetal.fr, industrie-chimique.net, industrie-chimique.eu, vitisol.eu, vitisol.net, pineol.eu and pineol.net.

#### Brands

The Group registers and maintains ownership of a large number of trademarks, whether in the form of names, semi-figurative brands, or logos in France, Europe and internationally in a considered manner with regard to its marketing strategy, and for different brand classes.

The main brands are as follows: Adkalis (expiring in 2027 depending on the country), Alotan (expiring in November 2023), Aqua'Protek (expiring in July 2027), Arcolam (expiring in November 2021), Axil (expiring in 2030 depending on the country), Axil Kare (expiring in 2025 depending on the country), Bergenol (expiring in August 2030), Berkem (expiring in March 2024 in France, expiring in April 2028 in Europe and the United Kingdom and April 2030 in the United States), Berkem Développement (expiring in October 2025 in France and June 2027 in Europe and the United Kingdom), Berkemyol (expiring in November 2024 in the United States and September 2025 in France), Bio Based Solutions (expiring in November 2027), Botanykem (expiring in July 2025 in France and August 2026 in the United States) Capilissance (expiring in May 2026), Cecil Industriel (expiring in September 2029), Chrono'Protek (expiring in July 2027), Epi'Protek (expiring in July 2027), Eurolyo (expiring in July 2029), Flavaderm (expiring in February 2026), Flor'Innov (expiring in February 2029), Fresh'Ka (expiring in 2022 depending on the country), Global'Protek (expiring in July 2027), Groupe Berkem (expiring in June 2023), Insectifilm (expiring in May 2026), Insektifilm (expiring in May 2026), Kenercy (expiring in July 2030), Kiwi'Eye (expiring in June 2026), Ko'Zen (expiring in January 2024),

Ko@lib (expiring in February 2030), Ko@liv (expiring in February 2030), Koalib (expiring in 2030 depending on the country), Koaliv (expiring in February 2030), Lamalo (expiring in November 2023), Le Bois Parfait (expiring in February 2023), Lixaqua (expiring in January 2027), Lixepox (expiring in October 2029), Lixoglyp (expiring in January 2027), Lixol (expiring in January 2027), Lixolink (expiring in January 2027), Lixomat (expiring in January 2027), Lixophen (expiring in January 2030), Lixoprim (expiring in January 2027), Lixotek (expiring in October), Lixothan (expiring in January 2027), Lixothix (expiring in January 2027), Myrty'lla (expiring in 2023 depending on the country), Origa'light (expiring in 2022 depending on the country), Pineol (expiring in June 2030), Pollynektars (expiring in 2021 depending on the country), Polynektars (expiring in 2031 depending on the country), Prenylessence (expiring in May 2026), Presrv (expiring in March 2028), Resveprotect (expiring in 2023 depending on the country), Resveprotekt (expiring in 2023 depending on the country) Sarpap (expiring in June 2029), Sarpap & Cecil Industrie (expiring in April 2030), Sarpasol (expiring in April 2027), Sarpeco (expiring in February 2031), Screen'Protek (expiring in July 2027), Skineol (expiring in November 2030), Solutions Bio Sourcées (expiring in November 2027), Termifilm (expiring in March 2031), Termiprotect (expiring in June 2028), Termisol (expiring in October 2025), Termitol (expiring in October 2025), Termitor (expiring in October 2029), Thenais (expiring in October 2029), Urban'Hair (expiring in April 2030), Uvalib (expiring in August 2030), Uvalis (expiring in August 2030), Vitolis (expiring in January 2031), Xilix (expiring in August 2027), Xylyx (expiring in April 2027).

## **5.7 An integrated cross-functional service chain for industrial performance**

The Group benefits from an integrated value chain of cross-functional services to support its industrial performance: the Purchasing Department, the IT Department, the Quality, Health, Safety and Environment Department and the Regulatory Department.

### **5.7.1 Selected raw materials and secured sourcing to ensure perfect product quality**

The Purchasing Department has been centralised at Group level to ensure perfect product quality. The team consists of four people who, in particular, secure the supply of raw materials. Throughout the production chain, meeting deadlines is essential to ensure the quality of finished products, given that the majority of raw materials are plants. For most of these raw materials, as harvesting only takes place once a year, it is important not to miss the opportunity to acquire them at the best price.

The objective is to select high-quality raw materials in order to comply with the very strict framework of the HACCP quality label (quality and food safety), to negotiate without compromise and finally to ensure that delivery times of these raw materials are compatible with manufacturing processes, inventory management and customer requirements.

Given the diversity of raw materials or semi-finished products required to manufacture the Group's products, both for its extraction and formulation activities, the Purchasing Department uses a large number of suppliers for its provisions. In addition to the diversity of purchases, this panel of suppliers also makes it possible to ensure other supply channels in complex or tense situations.

In order to ensure the best services and meet the requirements of Groupe Berkem in terms of quality, price, availability, exclusivity, volumes and respect of deadlines, supply contracts are signed by the Group with the main suppliers (refer to section 3.1.3 of the Registration Document).

In addition to securing supplies for the Group, the Purchasing Department is also a stakeholder in relations of mutual trust with the Group's customers due to the very high value of certain raw materials entrusted to it.

For equal quality, preference is given to local suppliers and, in the case of plant extraction, goes so far as to set up plant production channels close to the site. This local supply, favoured whenever possible,

is in line with Groupe Berkem's commitments in terms of environmental responsibility, since it reduces transport costs.

The ability to source a product on time is taken into account in the R&D process, which is pragmatic and knows how to integrate the issues and constraints of the supply of raw materials.

#### 5.7.2 A digital 4.0 flow management tool

Alongside traditional office automation and administration (IT) tools, Groupe Berkem has equipped itself with industrial IT (OT) to create an interconnected 4.0 organisation in which employees, machines and products interact with each other to optimise flow management. For more than five years, Groupe Berkem has had a tool that goes beyond this thanks to an interactive network in order to limit the re-entry of data, which is tedious, unnecessary and often a source of error.

In addition to traditional tools (office software, intranet and human resources management tool, Groupe Berkem has had a CRM (Customer Relationship Management) system since 2018, a management strategy focused on relationships and interactions with customers or potential customers in order to follow the entire relationship chain between players. This CRM has been specially configured to meet the precise needs and objectives of Groupe Berkem in order to go beyond simple "customer follow-up" thanks to the implementation of a comprehensive network of interactions that includes all the links in the chain: suppliers and any stakeholders in a project, R&D work, monitoring of quality analysis data, production data, financial information, carrier management, etc.

By making this global integration approach systematic, Groupe Berkem enables all departments and employees to be interconnected around the various projects: R&D, commercial, supplier selection, regulatory or industrial optimisation.

OT (Operational Technology) has given Groupe Berkem the means to become a 4.0 company. Groupe Berkem must, for example, be able to take firm positions to sell biocides without the risks related to raw material supply contingencies determining its position (particularly when it comes to plants that are harvested only once per year). In order to secure long-term production, it needs to find new methods through the use of sales scheduling tools that integrate production facilities upstream, or preventive maintenance planning tools so that it can respond quickly and be operational for any customised requests.

All exchanges take place digitally, with the use of paper reduced to a minimum to avoid information loss.

#### 5.7.3 Strict quality control

For almost 25 years, the Group's historical companies, Berkem and Adkalis, have been ISO 9001 certified. With regard to the quality requirements inherent in the handling of products, in particular those destined for the agrifoods and cosmetics sectors, Groupe Berkem imposes very stringent constraints on itself. Without being subject to any external control, the companies more recently integrated into the Group, Lixol and Eurolyo, follow the standards in force strictly, apply rules grouped into Best Manufacturing Practice (BMP) guides as well as the HACCP method – Hazard Analysis Critical Control Point – and are currently working to stabilise robust organisational processes.

For formulation processes, product quality is verified at various stages of production by several series of tests carried out in-house: QUV, natural aging tests to assess durability, resistance tests against insects, fungi, etc. External tests are also carried out by independent laboratories to demonstrate the performance of products over time.

In addition to compliance with specifications and instructions provided by customers, and rigorous monitoring of procedures, there is also the traceability of operations carried out internally throughout the production chain. In addition, preventive maintenance operations have been put in place.

Groupe Berkem's Quality, Health, Safety and Environment (QHSE) Department has five Group employees, most of whom are based in Gardonne, as well as in Blanquefort. These experts ensure the compliance of raw materials, finished products, buildings and equipment, processes and procedures with respect to regulations, standards and customer requirements.

Responsible for the traceability of raw materials throughout the logistics chain, the safety of processes and the quality of finished products, the QHSE managers work closely with the Group's analysis laboratories: requests for analyses, counter-analyses or verification of results, for example.

QHSE experts are specialised according to the specificities of the business lines: product safety and security with regard to effects occurring through use in the food and cosmetics sectors (Berkem and Eurolyo), stability and compatibility of ingredients in the manufacturing sector (Adkalis and Lixol). They all work closely with the Regulatory Department.

With regard to safety, Groupe Berkem has been working to assess the chemical risk since 2018. To improve the working environment for employees, a study was carried out on hazardous emission levels at workstations. In addition, evacuation exercises are regularly planned (once a month at the Gardonne site, classified as SEVESO).

At all of Groupe Berkem's sites, special emphasis is placed on respect for the environment, from waste management to energy savings.

#### 5.7.4 Control of regulatory aspects

The markets in which Groupe Berkem operates are characterised by a strict regulatory framework. In the last fifteen years, in particular, regulations on the use of chemical substances in the European Union have been tightened for all players. In doing so, they aim to secure the use of substances as such, or contained in "mixtures" (or preparations) or in "articles" (finished products).

Groupe Berkem's Regulatory Department develops close and constructive interactions with regulatory bodies in order to constantly improve the operational performance of the Group and its industrial sites.

The objectives of these regulations are to better control the risks and dangers related to the production and use of chemical substances in order to improve the level of protection of citizens, workers and the environment.

This also means increasing the involvement of chemical manufacturers, who are responsible for managing chemical substances and providing information to users.

The vast majority of the Group's activities therefore operate within an increasingly restrictive framework at national, European and international levels. Full understanding of regulatory aspects is a *sine qua non* of the Group's sustainability (refer to section 3.4 of the Registration Document) as well as a real opportunity for the development of Groupe Berkem in view of its competitive advantages (many companies, both large and small, are put off by this "high entry ticket").

The main regulations to which Groupe Berkem is subject (refer to section 9 of the Registration Document) are as follows:

- the Food Supplement Directive 2002/46/EC of 10 June 2002;
- the Cosmetics Regulation (EC) No. 1223/2009, which entered into force on 11 July 2013;



- the REACH Regulation (EU) No. 1907/2006, which entered into force on 1 June 2007;
- the CLP regulation, which entered into force on 20 January 2009;
- the GHS (Globally Harmonised System) of classification and labelling of chemicals;
- the EU Biocides Regulation No. 528/2012 published on 22 May 2012;
- Certibiocide, mandatory since 1 July 2015.

In order to guarantee its performance, the Group has set up a Regulatory Department comprising three people (three chemical engineers) responsible for carrying out legal and regulatory monitoring for all of the Group's business sectors.

By anticipating future or anticipated bans on active ingredients, they can propose product developments or new products to anticipate changes in the regulatory framework of each of Groupe Berkem's current or future target markets.

In addition, they support Groupe Berkem on a commercial level by filing the applications and monitoring the authorisations required to market products in Europe but also, and increasingly, internationally.

Each year, around 40 marketing authorisation (MA), certification or product approval (new or renewal) applications are managed by the Regulatory Department.

The costs incurred by the Group for each of these applications vary: usually between €10,000 and €40,000 but may be up to €300,000 depending on the number of countries for which mutual recognition procedures are undertaken for a marketing authorisation application for a new biocide product formulation.

As of the date of this Registration Document, the Regulatory Department has put together 210 European applications. A total of 112 marketing authorisations have been obtained on the European market and 33 are currently being examined. Most of these investments have already been made and now allow the Group to foresee proven organic growth possibilities.

Recently, the Group obtained marketing authorisation in Norway for a fungicidal product from Adkalis. The Group believes that this approval is a real growth driver given the difficulty of obtaining such an MA in a country where the competent authorities are particularly demanding.

#### 5.7.5 A certification policy with a strong CSR approach to anchor the Group's eco-friendly and responsible character

Groupe Berkem has been a member of the *Union des Industries de la Chimie* since its founding in 1993 and, in this context, signed the European Responsible Care Charter in 2014, the forerunner to its CSR undertakings. Groupe Berkem is one of the pioneers of the CSR approach and is deeply committed in its corporate culture to assessing its societal responsibility, developing it and being part of a winning strategy of sustainable development. Among the areas of action targeted by CSR, three priority objectives have been defined to implement this ethics at Group level: (i) foster social dialogue and the confidence of stakeholders, (ii) meet the requirements of all stakeholders, particularly customers, and (iii) provide a new dynamic based on economic, social and ecological issues.

#### Examples of actions taken by Groupe Berkem in its CSR approach:

- humanitarian donations and contributions to local and national associations;
- philanthropy and sponsorship;

- participation in working groups or professional bodies/unions (Qualibat<sup>50</sup>, AFISE<sup>51</sup>, AFNOR<sup>52</sup>, UIC, etc.);
- implementation of technical solutions that favour the environment, neighbourhood and health (installation of noise barriers, exchangers to limit the dispersion of VOCs<sup>53</sup>, gas scrubbers<sup>54</sup>. Limiting the environmental impact of transport (fully loaded trucks and stackable packaging, concentrated solutions);
- plant extraction projects in partnership with local farmers;
- welcoming interns, whatever their level of training;
- jobs for disabled workers;
- support for solidarity leave;<sup>55</sup>
- training plan for every Groupe Berkem employee.

### Certifications

The Group’s pragmatic, efficient and transparent operation is recognised by several certifications and commitments, resulting in a steady improvement in results. To measure its CSR performance, the Group uses the guidelines of the ISO 26000 standard to measure its impact on its stakeholders: customers, suppliers, neighbourhood, etc. In addition to the ISO 26000 standard, the Group is registered on the EcoVadis platform and has been a signatory to the Responsible Care Charter (CSR for chemical companies) since 1993.

### Table of certifications of Groupe Berkem subsidiaries

<p><b><u>BERKEM</u></b>  ISO 9000 and ISO 22000 (food)  Compliance with GMP (Good Manufacturing Practices in cosmetics) and HACCP (Hazard Analysis Critical Control Point)  “Commitment to progress” approach within France Chimie (formerly the <i>Union des Industries Chimiques</i> (UIC)).  ECOCERT, Cosmos, Kosher, Hallal certifications</p> <p><b>CHINA Compliant</b>  Berkem benefits from being “China compliant”, a privileged form of accreditation which now opens up the Chinese market for the Group. Berkem's products have recently been added to the exhaustive list of raw materials that China authorises on its territory (PCPC list). In this case, it also authorises the marketing of finished products including the raw materials on the list. It should be noted that in China, each new ingredient must be approved by the National Medical Products Administration (NMPA) before being placed on the market. The NMPA considers that an ingredient is new if it is not present in the IECIC (Inventory of Existing Cosmetic Ingredients in China) or in the appendices of the Safety and Technical Standard for Cosmetics. Since 2004, only 10 new ingredients had been approved, and none since 2014. This acceleration in the approval of new ingredients is in line with</p>
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<sup>50</sup> French qualification and certification body for construction companies.

<sup>51</sup> French association of detergent, maintenance and industrial hygiene product industries.

<sup>52</sup> French standards association responsible in particular for coordinating the setting of standards, their approvals and the development of certification of products and services with the NF label

<sup>53</sup> Systems designed to limit the dispersion of Volatile Organic Compounds, which include a multitude of substances of natural or human origin, the most well-known of which are butane, toluene, ethanol, acetone and benzene. These substances are found in industry in the form of solvents and can have an impact on health and the environment.

<sup>54</sup> System that cleans pollutants from gaseous emissions.

<sup>55</sup> Arrangement in which an employee may undertake an assignment in a charitable association abroad during his or her personal leave, with his or her company's support in the form of covering all or part of the local costs of the assignment.

the new Chinese regulation (CSAR), which should allow China to align its regulations with current industry practices and international markets.

EUOLYO

Certified organic by the ECOCERT Green life, COSMOS (Cosmetics) and AB (Organic Agriculture) labels

ADKALIS

In France: ISO 9000/in Africa: FSC label according to the recommendations of the Pesticides Policy of the Forest Stewardship Council<sup>56</sup>/in Australia and Asia: Codemark and Singapore Green Label certification

LIXOL

In compliance with REACH – Registration, Evaluation, Authorisation of Chemical Products

As an innovative chemical manufacturer, Groupe Berkem assesses each of its development or planning projects with regard to its human, environmental and economic relevance. Thus, the Group raises the awareness of each of its employees of the environmental problems affecting our world in order to behave as responsible citizens and integrate safety aspects into their daily work. Likewise, in Research and Development, efforts are focused, on the one hand, on the development of products taking into account the preservation of human health and environmental protection and, on the other hand, on the implementation of environmentally-friendly technologies at affordable economic costs. Production efforts are focused on reducing pollutants, preventing major risks, ensuring integrated process safety and preserving natural resources. In addition, the Group strives to work in collaboration with its customers and provide them with product information in order to preserve the environment and protect users.

Controlling industrial risks of any kind that could affect the safety of people and the environment is the permanent objective of Groupe Berkem. This objective breaks down as follows:

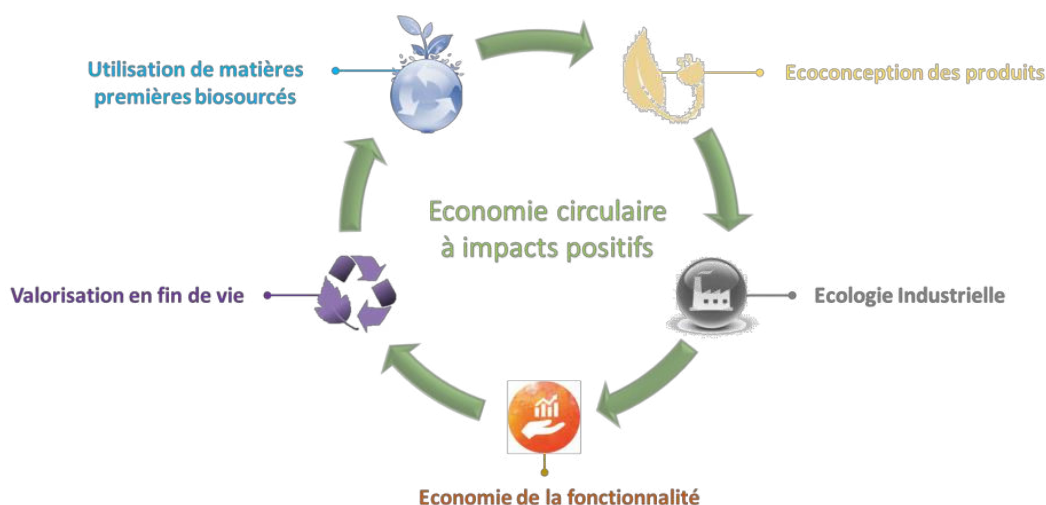
- maintain an operational organisation that takes industrial risks into account and implement major risk prevention as well as the ability to react if this type of event should occur;
- continuously work on the safety of its facilities to protect the environment and the safety of employees, external service providers and local residents;
- seek solutions to reduce emissions and nuisances, as a priority at source, and find solutions to reduce the risk of major accidents;
- integrate the environment and safety aspects into all work performed by Groupe Berkem’s employees and external service providers;
- ensure that all staff are aware of and apply the defined procedures and rules (in particular internal regulations and work instructions);
- consider that proper compliance with the defined procedures and rules is an important criterion for assessing the relationships developed with suppliers and external service providers;
- undertake as a minimum to comply with current legislation and professional recommendations;
- assess the impact of its activities on the safety of employees and the public in order to control their effects; and,
- act in complete transparency with regard to the communication to supervisory institutions of the site’s performance in terms of the environment and the prevention of major accidents.

The preservation of the environment also requires consideration at each level of the production chain. For each subsidiary, this means determining the best way to limit or eliminate packaging, reduce volumes to limit goods transport costs, in the case of the Group’s new buildings promote buildings with a reduced impact on the environment, optimise industrial facilities and, lastly, reduce water and energy consumption and the volume of waste generated.

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<sup>56</sup> [www.fsc.org](http://www.fsc.org)

Towards a circular economy: a concrete objective for Groupe Berkem




Utilisation de matières premières biosourcés	Use of bio-sourced raw materials
Écoconception des produits	Eco-design of products
Ecologie Industrielle	Industrial Ecology
Économie de la fonctionnalité	Economy of functionality
Valorisation en fin de vie	End of life value
Économie circulaire à impacts positifs	Circular economy with positive impacts

The Group’s strong CSR approach is valued by an extra-financial rating from Ethifinance. The Group obtained an overall score of 73/100, with the industry average of 37/100. The details of the ratings obtained by the Group are reproduced below:




- Governance: 66/100 (industry average: 43/100);
- Social: 80/100 (industry average: 44/100);
- Environment: 82/100 (industry average: 22/100);
- External stakeholders: 63/100 (industry average: 29/100).
- 

5.7.6 Experienced and complementary management to support the growth of Groupe Berkem

Within the world of industrial chemistry, Groupe Berkem has managed to unite diverse and complementary activities around a single industrial philosophy based on respect for people and the environment. The recruitment of its employees is based on the same values: diversity of profiles and wealth of experience are favoured with the same demanding standards as professional skills.

	<p>Olivier Fahy, Chairman and Chief Executive Officer</p> <p>After studying at the Paris Chamber of Commerce and Industry School of Commerce in 1986, Olivier Fahy began his career in the building paint industry. He created his first wholesale paint company in 1988 in the Paris area, which he later sold. Following a brief spell in Export sales for a pharmaceutical laboratory, he joined an industrial consulting firm, Cabinet Roux-Herr, where he carried out assignments at large manufacturing and banking firms as part of the disposal or takeover of tangible assets.</p>
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	<p>Believing that if you can advise others, you can also apply that advice to yourself, in 1993 Olivier Fahy participated in the takeover of SARPAP, which subsequently became Berkem.</p> <p>Starting as an employee at Berkem in 1996, becoming Chief Executive Officer in 2001, followed by Chairman and Chief Executive Officer and main shareholder in 2008, Olivier Fahy has supported the teams through Berkem's growth, and from turnover of less than €1 million excluding taxes in 1993, Berkem has today become a small group of more than 150 people, generating just over €40 million in turnover excluding taxes.</p>
	<p><b>Sabine Dejean-Laforest, General Secretary</b> Sabine Dejean-Laforest is a Process and Environmental Engineer who began her career with Groupe Berkem in 1995. She progressed to engineering positions and then held operational positions as New Works – Environment – Safety Manager, then Quality – Safety – Environment Manager, followed by Assistant to the Management of an industrial site and finally became Factory Manager in 2001. Sabine Dejean-Laforest has been the Group's General Secretary since 2010.</p>
	<p><b>Anthony Labrugas, Chief Financial Officer</b> Anthony Labrugas holds an Advanced Master's Degree (DEA) in Finance from the Université Panthéon Sorbonne (2003). He began his career at Crédit Agricole d'Ile de France, working on LBO transactions. He then joined HSBC as Head of Corporate Accounts in Aquitaine and then joined the BPCE group in 2009 to work in mergers and acquisitions. It was in this context that he first came across Groupe Berkem, which he joined in 2014 as Chief Finance Officer.</p>
	<p><b>Laurent Cubizolles, R&amp;D Director, Finished Products Regulation</b> After obtaining his engineering degree from École Nationale Supérieure des Technologies et Industries du Bois in 1995, Laurent Cubizolles began his career at Xylochimie (Xylophène, Bondex, Véraline, Décapex, Dip), a company specialising in wood treatment and decoration products and waterproofing of materials. Next, at PPG Industries, he held various responsibilities, notably as Technical Manager overseeing various departments, including the research and development laboratories. Laurent Cubizolles joined Groupe Berkem in 2014 as Head of Regulatory Affairs for Finished Products and R&amp;D activities.</p>
	<p><b>Franck Adine, Head of Resources, New Works, Maintenance, IT, Purchasing and Technology Watch</b> A senior industrial IT technician, Franck Adine joined the Group in 1995 to help launch the first semi-automated production unit. He was behind the creation of the Maintenance Department in 2001. He has been in charge of Groupe Berkem's Technical Department since 2017.</p>
	<p><b>Cédric Roubertie, Industrial Director</b> Cédric Roubertie joined the Group in 2001 and progressed within it, from Deputy Head of Manufacturing to Head of Production for the plant extraction activity. He then took on responsibility for the production of formulation activities. Cédric Roubertie holds a Technology Degree (DUT) in Process Engineering and is a graduate of INSEEC and IAE in Bordeaux.</p>

	<p>Daouia Messaoudi, Head of the R&amp;D, Regulation and Institutional Relations Department</p> <p>Daouia Messaoudi is a chemical engineer who graduated from ITECH Lyon in 2002. Specialising in polymers, she was initially an R&amp;D engineer within the Group. Daouia Messaoudi then became Laboratory Manager and has been in charge of the R&amp;D, Regulatory and Institutional Relations aspects of Groupe Berkem since 2012.</p>
	<p>Eric Moussu, Group Sales Director</p> <p>After his studies in chemistry, Eric Moussu joined the DRT group in 1989 as Applications &amp; Development Manager, then in 1996 he became Sales Manager for Key Accounts before joining the Management Committee in 2006 as Sales &amp; Marketing Director and Director of Regulatory Affairs. He joined Groupe Berkem on 1 September 2021.</p>
	<p>Christelle Cordaro, Communications Manager</p> <p>After her university studies, Christelle Cordaro worked in communications agencies before joining the Group in 2010 as Project Manager. In 2015, she took on the responsibility of communications for the Formulation division. In 2017, Christelle Cordaro was appointed Head of Groupe Berkem's Communications Department, which she has since managed.</p>

## 5.8 Investment

In terms of investments, the Group plans to spend on average around €3 million over the coming years.

### 5.8.1 Main investments made since 2018

The table below sets out the investments for the financial years ended 31 December 2020, 2019 and 2018 and for the 2021 financial year up to the date of approval of the Registration Document:

Main investments In thousands of euros	Financial year 2018	Financial year 2019	Financial year 2020	Financial year 2021 (until 30 June 2021)
Intangible assets	0	934,311	1,144,101	151,000
Property, plant and equipment	2,470,000	4,310,432	3,025,352	651,000
<b>Total investments</b>	<b>2,470,000</b>	<b>5,244,743</b>	<b>4,169,453</b>	<b>802,000</b>

Intangible assets consist mainly of concessions, patents and similar rights as well as goodwill (see section 7.7 of the Registration Document).

The Group's property, plant and equipment consist mainly of buildings, technical facilities, machinery and equipment, as well as equipment under finance leases (see section 7.7 of the Registration Document).

#### 5.8.2 Main investments in progress or for which firm commitments have been made

At the date of approval of the Registration Document, the Group has no significant investments in progress.

#### 5.8.3 Information on joint ventures and companies in which the issuer holds a share of the capital

With the exception of its subsidiaries or sub-subsidiaries (Berkem Développement, Berkem, Eurolyo, Adkalis and Lixol), the Group does not hold any shareholdings in companies likely to have a significant impact on the valuation of its assets and liabilities, its financial position or results.

The key financial and legal information about these companies are presented in the table below:

	Berkem Développement	Berkem	Eurolyo	Adkalis	Lixol
Registered office	20, rue Jean Duvert – 33290 Blanquefort – FRANCE	Le Marais Ouest – 24280 Gardonne – FRANCE	53, avenue d'Orléans – 28000 Chartres – FRANCE	20, rue Jean Duvert – 33290 Blanquefort – FRANCE	20, rue Jean Duvert – 33290 Blanquefort – FRANCE
SIREN number	481 604 197	393 274 824	402 423 404	790 216 030	646 380 089
Share capital held directly or indirectly by Groupe Berkem	93.67%	88.99%	88.99%	93.67%	93.67%
Amount of reserves – Financial year 2020	€205,515 Retained earnings accumulated deficit -€50,606	€521,593 Retained earnings accumulated deficit -€543,800	€423,731	€191,526	€145,783
Amount of share capital issued	€2,055,154	€5,215,923	€130,000	€6,243,500	€854,250
Net income – Financial year 2020	-€1,086,545	€626,750	€59,809	€1,453,913	-€37,363
Value of shares held in the financial statements – Financial year 2020	€0*	€3,449,329	€709,050	€7,555,000	€7,815,200

Amount remaining to be paid on shares held	-	-	-	-	-
Amount of dividend received during the 2020 financial year on shares held	-	-	-	-	-
Amount owed to Groupe Berkem at the date of approval of the Registration Document	-	-	-	-	-
Amount owed by Groupe Berkem at the date of approval of the Registration Document	164,943	-	-	-	-

\* Held from the financial year 2021.

#### 5.8.4 Environmental issues

The Group is subject to a large number of administrative rules (listed in section 9 of the Registration Document) that influence the use of its industrial facilities.

In this respect, Groupe Berkem has implemented an industrial risks control policy to protect the safety of people and the environment. In addition, the Group endeavours to take all necessary measures to ensure compliance, under all circumstances, with environmental regulations and other requirements to which it is subject (refer to section 9 of the Registration Document).

In particular, the Group has defined and updated scenarios enabling it to assess these risks and anticipate the consequences of the possible occurrence of such events. As part of its prevention actions, all Group facilities and activities are subject to a joint safety management process conducted by the Group's Management and QHSE (Quality, Health, Safety and Environment) teams.

In addition, to minimise the risk of accidents, the Group has set up a safety management system that aims to:

- apply demanding industrial safety standards, in accordance with sector practices and regulatory provisions;
- implement the recommendations of the administrative authorities, e.g. DREAL, following the various inspections conducted by such authorities at its industrial facilities;
- conduct control and audit assignments (internal and external) to ensure the effective implementation of its obligations and implement any recommendations of these audits;
- select appropriate equipment for any incidents that might occur (ATEX protection);
- carry out regular maintenance and checks on the proper operation of equipment;
- ensure that all incidents, however minor, are followed up and conduct a detailed analysis of their causes to avoid any recurrence;
- implement an awareness-raising policy for all personnel and employee training (monthly training exercises); and
- used specialist certified transporters.

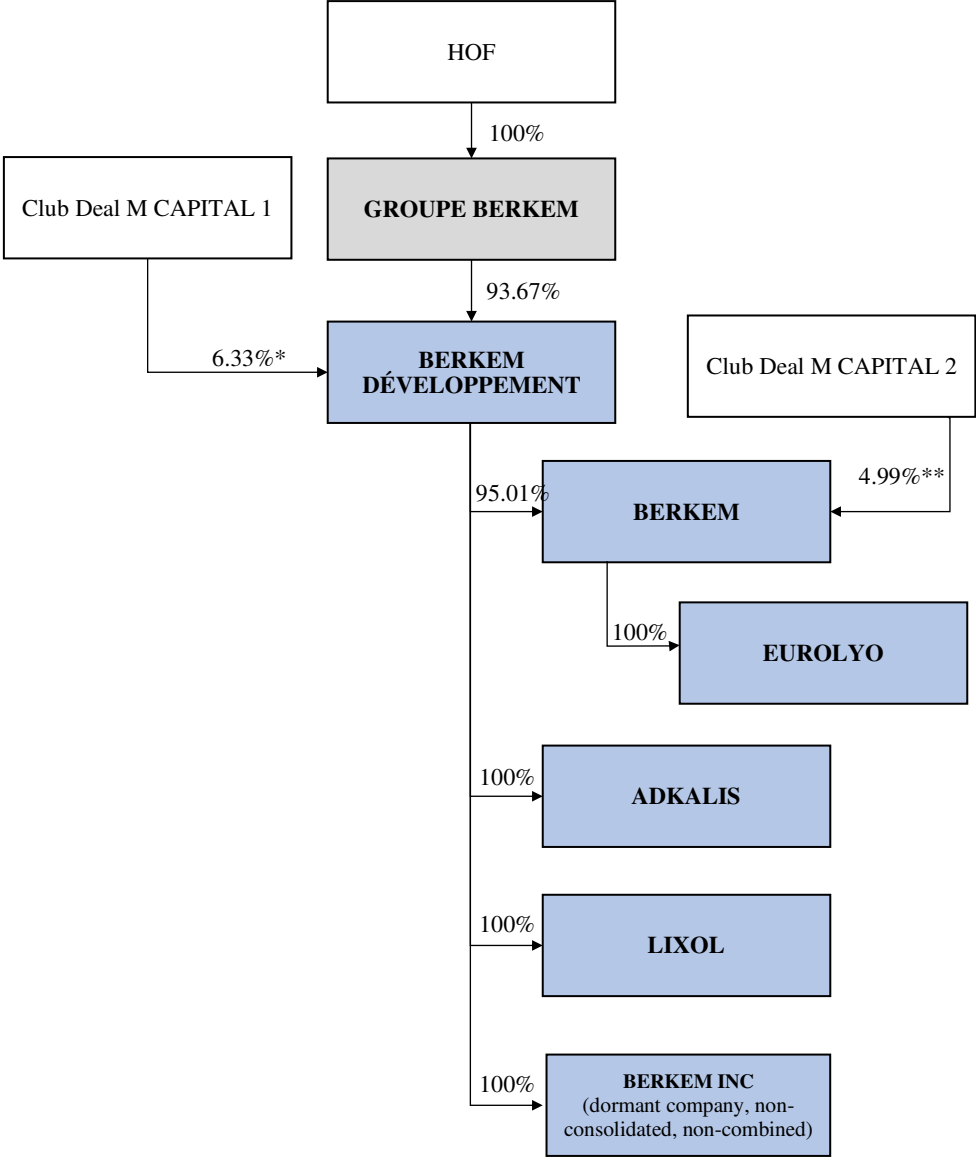


**6. ORGANISATIONAL STRUCTURE**

**6.1 Legal organisation chart**

6.1.1 Legal organisation chart at the date of approval of the Registration Document

At the date of approval of the Registration Document, the Group’s legal structure is as follows:



The percentages indicated in the above organisation chart represent the percentage holdings of share capital and voting rights.

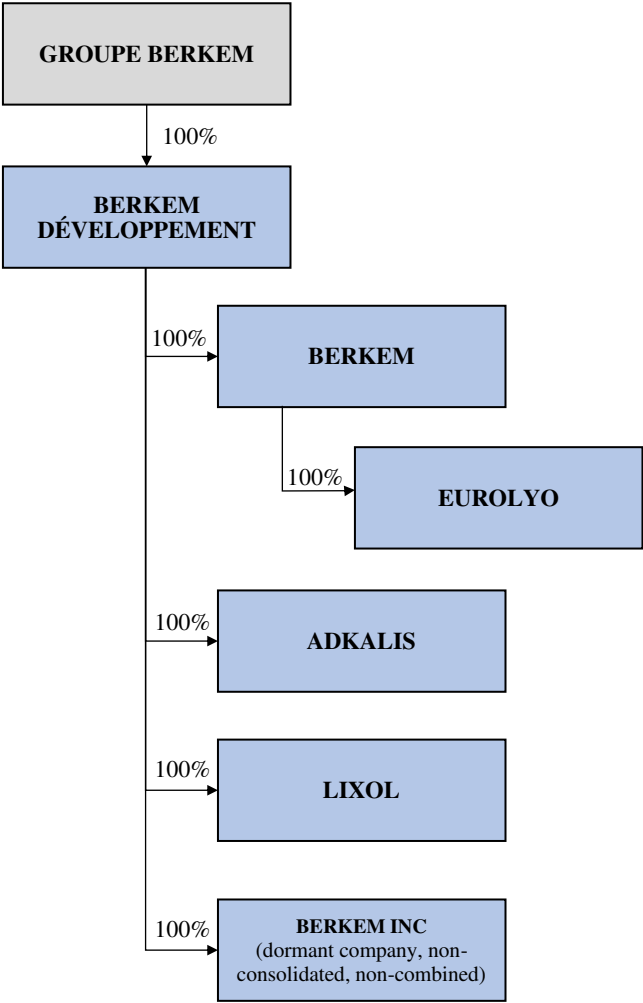
It is specified that on the date of approval of the Registration Document, Olivier Fahy holds 98.47% of the share capital of HOF (a limited liability company of which Olivier Fahy is the manager), the remaining 1.53% are self-controlling interests (*actions d'auto-contrôle*).

\* at the date of approval of the Registration Document, the balance of Berkem Développement’s share capital, i.e. 6.33%, was held by 540 individuals, represented by M Capital under a management mandate (ISF). The shares held are preferred shares (ADP<sub>2015</sub>), with Groupe Berkem having the option to buy

back these ADP<sub>2015</sub> from 1 January 2021. In the event of such purchase, the ADP<sub>2015</sub> will be automatically converted into ordinary shares (refer to section 19.1.6 of the Registration Document).

\*\* At the date of approval of the Registration Document, the balance of Berkem’s share capital, i.e. 4.99%, was held by 540 individuals, represented by M Capital under a management mandate (ISF). The shares held are preferred shares (ADP<sub>2015</sub>). Berkem Développement has the option to buy back these ADP<sub>2015</sub> from 1 January 2021. If repurchased, the ADP<sub>2015</sub> will be automatically converted into ordinary shares (refer to section 19.1.6 of the Registration Document).

It is planned that the Berkem Développement ADP<sub>2015</sub> and the Berkem ADP<sub>2015</sub> will be acquired by Groupe Berkem and Berkem Développement respectively following the listing of the Company's shares on Euronext Growth Paris. The Group’s legal organisation chart will thus be as follows:



6.1.2 Prior legal reorganisation

The Group has carried out a certain number of operations to reorganise its legal structure (the “**Reorganisation**”) in order to focus its activities on its Industrial division.

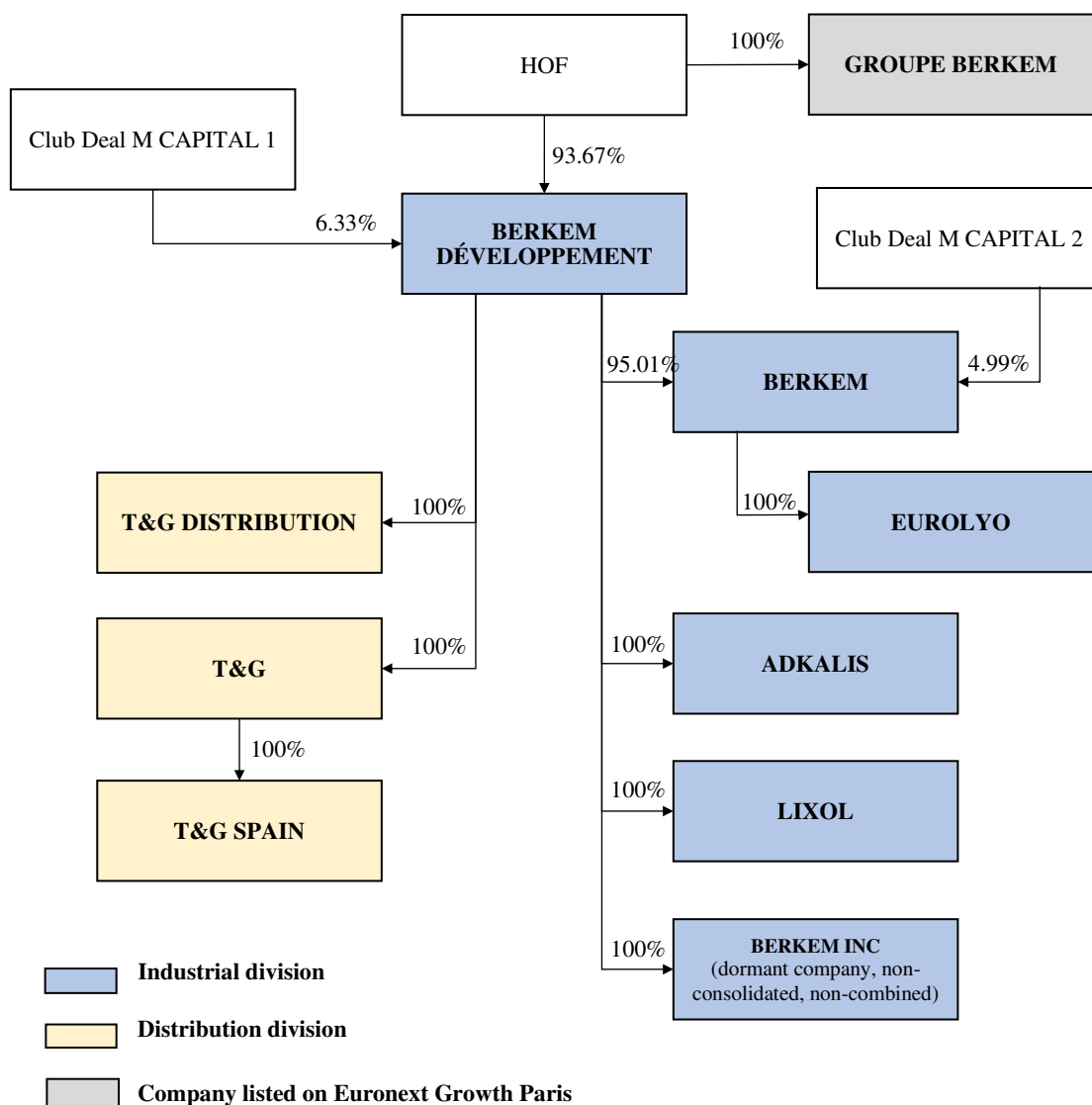
The main steps in the Reorganisation were the following:

- On 31 December 2020, HOF's acquisition from Berkem Développement of the companies T&G Distribution (French subsidiary), T&G (Belgian subsidiary) and T&G Spain (Spanish subsidiary), which made up the Group’s Distribution division, it being specified that these companies are B2C trading companies through a network of agencies and distribute certain Groupe Berkem Industrial division products only marginally. In addition to their usual business

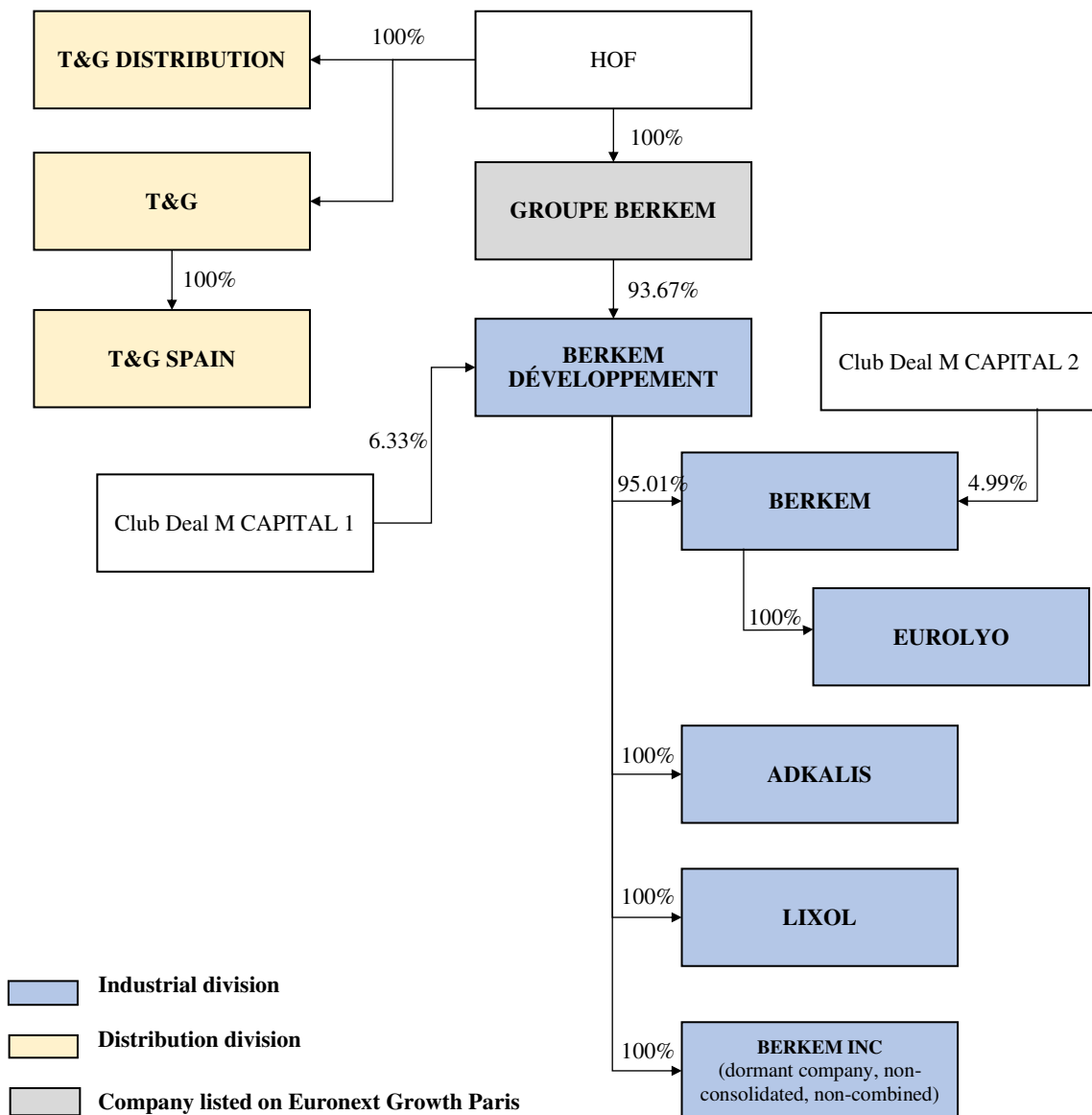
relationships, there will continue to be flows between the Group companies and T&G Distribution, T&G and T&G Spain for re-invoicing of personnel, ERP and CRM software and re-invoicing relating to a fleet of vehicles (these flows are detailed in section 17.1.6.5 of the Registration Document). As the activities of T&G Distribution, T&G and T&G Spain are not part of the Group's core business or strategy, the Group wished to sell them (see section 17.1. of the Registration Document). These disposals did not affect the Group's distribution scheme;

- On 8 March 2021, transfer of Berkem Développement shares to Groupe Berkem (formerly Immobilière et Foncière) by HOF.

**Group organisation chart prior to the Reorganisation:**



**Group organisation chart after the Reorganisation:**



It should be noted that Berkem Développement has issued convertible bonds subscribed by the Novi 2 fund managed by IdInvest Partners (for an amount of €16,945 thousand at 31 December 2020 and €17,744 thousand at 30 June 2021) which will be redeemed in the event of an IPO of the Company.

## 6.2 Group companies

Following the Reorganisation, the Group's companies are:

- Groupe Berkem, a public limited company (*société anonyme*) whose registered office is located at 20, rue Jean Duvert, 33290 Blanquefort, France, registered in the Bordeaux Trade and Companies Register under number 820 941 490, the holding company of the Group which hosts the Group's senior executives (Chairman and Chief Executive Officer, General Secretary and Chief Financial Officer);

- Berkem Développement, a simplified joint-stock company (*société par actions simplifiée*) whose registered office is located at 20, rue Jean Duvert, 33290 Blanquefort, France, registered in the Bordeaux Trade and Companies Register under number 481 604 197, which groups together the centralised activities and the Group's middle management;
- Berkem, a simplified joint-stock company (*société par actions simplifiée*) whose registered office is located at Marais Ouest, 24680 Gardonne, France, registered in the Bergerac Trade and Companies Register under number 393 274 824, which groups together the Group's plant extraction activities;
- Eurolyo, a simplified joint-stock company (*société par actions simplifiée*) whose registered office is located at 53 avenue d'Orléans, 28000 Chartres, France, registered in the Chartres Trade and Companies Register under number 402 423 404, which groups together the Group's freeze-drying activities;
- Adkalis, a simplified joint-stock company (*société par actions simplifiée*) whose registered office is located at 20, rue Jean Duvert, 33290 Blanquefort, France, registered in the Bordeaux Trade and Companies Register under number 790 216 030, which groups together the Group's innovative formulation activities for the treatment of and the protection of materials;
- Lixol, a simplified joint-stock company (*société par actions simplifiée*) whose registered office is located at 525, boulevard de l'Industrie, 33260 La Teste-de-Buch, France, registered in the Bordeaux Trade and Companies Register under number 646 380 089, which groups together the Group's alkyd resin activities;
- Berkem Inc., a corporation of the state of New Jersey with capital of US\$100, registered under number 13790454321 whose registered office is located at 60 Park Place, Military Park Building, 4th Floor Suite 405, Newark, NJ 07102, United States, which has no activity to date and which was created to provide the Group with a business base in the United States. This company is neither consolidated, nor combined. This company could be used as part of the Group's internationalisation strategy.

### 6.3 Intra-group flows

Refer to section 17 "Related-party transactions".

## 7. REVIEW OF FINANCIAL POSITION AND RESULTS

This section is dedicated to the presentation of the results and the combined financial position of Groupe Berkem for the financial years ended 31 December 2020, 2019 and 2018 and the six months ended 30 June 2021 and 2020.

The comments on the accounting information presented in this section of the Registration Document should be read in conjunction with the combined financial statements of Groupe Berkem presented in section 18.1 of the Registration Document. The comments on the accounting information presented in this section of the Registration Document should be read in conjunction with the combined financial statements of Groupe Berkem presented in section 18.1 of the Registration Document, the interim consolidated financial statements of Groupe Berkem presented in section 18.2 of the Registration Document and the *pro forma* financial information of Groupe Berkem presented in section 18.3 of the Registration Document.

### 7.1 General overview

Created in 1993 by Olivier Fahy, Groupe Berkem is positioned as an integrator in plant chemistry at the heart of conventional chemical products. As an expert in green chemistry for more than 25 years, Groupe Berkem is participating actively in the transition to bio-sourced products, with the aim of integrating plant chemistry into everyday life. Its expertise in plant extraction and formulations allow it to identify specialty natural active ingredients from plant-based raw materials, and to extract and formulate them in order that they can be used in major markets, such as nutritional supplements, public hygiene, cosmetics, agrifoods and construction materials. Particularly within these sectors, the Group targets specialty markets such as polyphenols, wood preservation, alkyd resins and pest control.

The Group applies its industrial know-how and innovation through two specialised divisions:

- **Plant extraction (35.3% of combined turnover in 2020, 29.7% of pro forma turnover at 30 June 2021).** Through its subsidiary, Berkem, the Group extracts the natural ingredients of interest, carefully selected for their composition of active molecules and their benefits. Berkem targets active ingredients, such as polyphenols, natural antioxydants extracted from grape seeds or pine bark. These active ingredients and compounds are then offered to manufacturers in the nutritional supplements, cosmetics and agrifoods sectors for the formulation of their products. Since 2018, through its subsidiary Eurolyo, the Group also proposes freeze-drying services that make it possible to preserve all the organoleptic and nutritional qualities of the food as well as the fragile active ingredients intrinsic to the products, while extending the shelf life and facilitating transport and storage;

**Formulation (64.7% of combined turnover in 2020, 70.3% of pro forma turnover at 30 June 2021).** Through its subsidiaries Adkalis et Lixol, the Group carries out formulation and reaction of active chemical ingredients designed to improve the performance of construction materials (in particular the timber industry) and the synthesis of resins for the paint and printing ink industries.

These two areas of expertise converge today to develop a new technology that is unique in the chemical world: “plant-based boosters”, plant extracts capable of promoting a wide spectrum of efficacy of synthetic products while reducing their risks for people and the environment. The Plant Extraction business provides its expertise in the identification of the molecules of interest in various plants, while the Biocide Formulation division works on optimising use of the precise dose of molecules from synthesis chemistry, thanks to the synergy between the two technologies.

## 7.2 Prior legal reorganisation

The Group has carried out a certain number of operations to reorganise its legal structure (the “Reorganisation”) in order to focus its activities on its Industrial division.

The main steps in the Reorganisation were the following:

- Disposal on 31 December 2020 by Berkem Développement to HOF of the companies T&G Distribution (French subsidiary), T&G (Belgian subsidiary) and T&G Spain (Spanish subsidiary), which make up the Group’s Distribution division (the “**T&G Activities**”) (refer to section 17.1 of the Registration Document);
- Contribution-disposal by HOF of Berkem Développement securities to Groupe Berkem (formerly Immobilière et Foncière) on 8 March 2021.

The Reorganisation was recognised in the financial statements as a combination of entities under common control. The combined financial statements have been prepared as if the shares of Berkem Développement historically held by HOF at 1 January 2018 were held by Groupe Berkem at that date, and the companies comprising the T&G business unit were considered as being sold at the opening of the 2018 financial statements (refer to Note 2.3 “Combination Methods” of the combined financial statements for further information on the preparation of the historical combined financial statements).

## 7.3 Main factors affecting the Group’s turnover

### 7.3.1 Breakdown of turnover of the Group’s divisions

The Group’s combined turnover comes from the sale of goods and services by its two business divisions.

#### 7.3.1.1. Plant Extraction division turnover

The Plant Extraction division generates turnover from three principal activities.

- *Sale of plant extracts to distributors of nutritional supplements.* The sale of plant extracts to distributors of nutritional supplements represents the principal contribution to the turnover of the Plant Extraction division, accounting for 48.7% of this division's total turnover in 2020 and 17.2% of total Group turnover in 2020. Turnover generated by the sale of plant extracts mainly relates to the sale of active ingredients rich in OPCs from grape seeds or pine bark. The Group’s historical activity, sales of these products depend for the most part on volumes sold, the product mix and the average sales price. Between 2018 and 2020, the main changes in terms of volume are as follows:
  - In 2018, the turnover of this activity exceeded €8 million. This increase is mainly due to the increase in demand in China.
  - The Covid-19 pandemic brought this activity to a sudden halt at the end of 2019.
  - Over 2020, business returned to more normal levels. The abrupt interruption of orders observed at the end of 2019 was made up for in the first two months of 2020 with a record level of orders. The pandemic that hit Europe and the United States from March slowed down this momentum at the end of the first half-year.
  - In the first half of 2021, *pro forma* turnover increased by 4.3% compared to the combined turnover of the first half of 2020, thanks to the ramp-up of new cosmetic product lines.In addition, the selling prices of these products are very stable. Product margins depend on the yield from the plants. Since an investment made in the industrial facilities in 2018, yields are generally straight-line and do not significantly impact margins.
- *Sale of plant extracts to cosmetics industry players.* The sale of plant extracts to cosmetics industry players represents the second-largest contribution to the turnover of the Plant Extraction division, accounting for 30.5% of this division's total turnover in 2020 and 10.8% of

total Group turnover in 2020. The turnover generated by the sale of plant extracts primarily relates to the sale of plant extracts from grape seed. Sales of these products depend for the most part on volumes sold, the product mix and the average sales price. Between 2018 and 2020, the key changes in terms of volume were marked by a fairly downward trend in volumes in 2019 (the effect of the French *gilets jaunes* protests on sales of cosmetics). From 2020, the ramp-up of one of the Group's new products (Floral waters) for a new customer in North America has largely offset this decline in France. In the first half of 2021, *pro forma* turnover increased by 7% compared to the combined turnover of the first half of 2020. This is a good performance as the turnover in the first half of 2020 was strong. This increase stems from growth in the American and Chinese markets for nutritional supplements.

- *Agrifoods industry and sub-contracted work.* The Group provides extraction services for the agrifoods industry as well as the cosmetics industry. In 2020, this activity represented 17.3% of the Plant Extraction division's activity and 6.1% of total turnover. Turnover generated by sub-contracted work is billed on a facility usage basis (time and capacity). Turnover from this activity is currently limited by the Group's processing capacities. Between 2018 and 2020, the Group invested nearly €2 million in increasing capacities in this area. In the first half of 2021, turnover increased due to the ramp-up of production capacities following investments in 2020 at the Eurolyo site in Chartres.

The "Other" activities of the Plant Extraction division represented 1.2% of the combined turnover for the 2020 financial year and 3.5% of the division's turnover.

#### 7.3.1.2. Formulation division turnover

The Formulation division generates turnover mainly from two principal activities.

- *Sale of formulation products to the construction industry.* The sale of formulation products to players in the construction industry represents the largest contribution to the Formulation division's turnover, accounting for 57.4% of total turnover for this division in 2020 and 37.2% of total Group turnover in 2020. Turnover generated by this activity mainly concerns the sale of insecticide, fungicide and fire-retardant treatments for wood and construction materials. The turnover of this activity depends mainly on the volumes sold, the product mix and average sales price. Between 2018 and 2020, the main changes in terms of volume were due to the construction markets in mainland France and overseas and in Europe, but also to the furniture and DIY sectors. After a high level of activity in 2018, volumes decreased in 2019 due to a decline in export sales and in overseas France. This was due to the Group's reduced commercial presence. In 2020, despite the impact of the pandemic in the second quarter, sales started to rise again. In 2020, margins tended to increase, due to the ramp-up of sales of bio-sourced products. In the first half of 2021, turnover from formulation products for the construction industry increased by 41.3% compared to the combined turnover of the first half of 2020. This strong growth is mainly due to:
  - a dynamic construction market;
  - the ramp-up of bio-sourced product lines;
  - the roll-out of marketing authorisations internationally.
- *Coatings:* this activity corresponds to the sale of alkyd resins to paint manufacturers. In 2020, this activity represented 15.0% of the Group's turnover and 23.3% of the Formulation division's turnover. Between 2018 and 2020, sales increased, due to the Group's strong desire to develop this activity. Human resources were therefore allocated to sales and R&D to trigger organic growth. Almost €3 million was also invested in industrial capacity to support the expected increase in volumes. The paint and DIY market impacts resin sales. In 2020, despite the pandemic, turnover increased by 10%. Margins rose by almost three points of turnover in 2020 (lower cost prices, sourcing of raw materials). In the first half of 2021, *pro forma* turnover



increased by 48.7% compared to the combined turnover of the first half of 2020. This strong growth is mainly due to:

- capacity investments made in 2019 and 2020;
  - the ramp-up of bio-sourced product lines.
- *Sale of formulation products to players in the pest control industry.* The sale of products to players in the pest control industry represented 16.8% of the Formulation division's turnover in 2020 and 10.9% of total Group turnover in 2020. Turnover generated by this activity mainly relates to the sale of curative solutions. The turnover from these products depends mainly on the volumes sold, the product mix and the average sales price. Between 2018 and 2019, volumes increased. This is a basic trend in this sector. In 2020, there was a slight Covid effect and turnover decreased by 2%. In the first half of 2021, *pro forma* turnover increased by 38.7% compared to the combined turnover of the first half of 2020. This strong growth is mainly due to:
    - the ramp-up of bio-sourced product lines;
    - the roll-out of marketing authorisations internationally;
    - weak supply of competing products on the market.

In addition, in the Formulation division, sales of products from the “Boosters” activity represented turnover of €547 thousand in 2020, i.e. 2.1% of the division's turnover and 1.3% of Group turnover. This new activity consists in proposing innovative formulations of products containing plant-based boosters in order to reduce the quantity of the active biocide while maintaining the effectiveness of the product. In addition, since 2018, the Group's combined turnover generated by products for the construction and coatings markets containing plant-based boosters increased from €36 thousand in 2018 to more than €1,531 thousand in 2020. In the first half of 2021, sales of products from the “Boosters” activity amounted to €60 thousand, down from the combined turnover of €410 thousand in the first half of 2020 which was strongly boosted by the Covid.

The “Other” products of this division represent approximately 0.3% of the Group's total turnover.

### 7.3.2 Economic outlook

As a supplier to the food supplements, construction, paint, manufacturing, public hygiene and agrifoods industries, the Group's turnover is largely dependent on the conditions affecting these underlying industries. For example, the Group's largest customer in the food supplements sector generates a significant portion of its turnover in the United States, China and other countries in Asia and Oceania. In 2019 and 2020, the restrictions implemented in China to combat the Covid-19 virus had a negative impact on exports to China of food supplements by the Group's largest end-customers. This impact led its suppliers to reduce their orders for OPC products from the Group. The Group felt the impact of these negative effects at the end of 2019. In contrast, while Europe entered the lockdown phase in early 2020, exports to China in the 1<sup>st</sup> quarter of 2020 surged ahead.

Moreover, the disruptions caused by the *gilets jaunes* protests in France in 2019 and the restrictions related to Covid-19 in 2020, each had an unfavourable effect on sales in the cosmetics industry, which had a negative impact on sales of plant extracts to these players. Similarly, the level of demand for products in the Formulation division depends in part on the conditions affecting the construction and pest control industries. The slowdown in construction during the Covid-19 lockdown periods in Europe negatively affected the level of demand for the Group's wood treatment and protection products and alkyd resins in 2020. In the first half of 2021, the market returned to favourable conditions.

### 7.3.3. Launch of new product lines

The Group's revenues are also linked to the launch of new products and services. In 2020, 18% of the Group's revenues were generated by products launched in the last three years. The main new product launches since 2018 include:

- *Global Protek*, a new range of plant-based active cosmetic ingredients designed to be used in skin care products;
- *Flor'Innov*, a new line of floral extracts. In 2020, this product line generated turnover of around €1.2 million;
- *Urban'Hair*, a new line of active cosmetic ingredients to protect hair against pollution;
- The conversion of 16 Adkalis formulas into bio-sourced products from 2018;
- A new range of bio-sourced fire-retardant products launched by Adkalis in 2021;
- New ranges of bio-sourced formulations launched by Adkalis and Lixol;
- The acquisition of Eurolyo in 2018 enabled the Group to launch its sub-contracted services in freeze-drying, and the Group's investments to increase production capacity have made it possible to capitalise on the strong demand for these services;
- The Koalib line of sanitising solutions launched in 2020;
- Launch of the sale of plant-based boosters outside the Group from 2021;
- Conversion of the Lixol range to bio-sourced from the second half of 2021.

#### 7.3.4 Changes in scope

The Group's scope of combination has changed during the period covered by the financial statements, and may continue to change due to its external growth strategy. As such, the Group's turnover benefited from the acquisition of Eurolyo in 2018 which contributed €0.84 million, €1.02 million, and €1.1 million, respectively, to Group turnover for the financial years ended 31 December 2018, 2019 and 2020.

#### 7.3.5 Increases in production capacity

The Group's turnover is also in line with its production capacity. Thus, since 2018, the Group has invested more than €5 million to increase the latter and increase its productivity. These investments made it possible to increase the Group's freeze-drying capacity from 2021 (+€0.6 to €0.7 million in turnover per year).

#### 7.3.6 Geographic presence

In 2020, the Group generated 71.5% of its combined turnover in France (compared with, respectively, 74.4% in 2019 and 69.4% in 2018), and 22.2% in Europe (compared with, respectively, 21.6% in 2019 and 26.9% in 2018) and 6.33% outside Europe (compared with, respectively, 4.0% in 2019 and 3.7% in 2018). As part of its strategy, the Group intends to gradually expand its geographic presence and offer its products in new countries.

#### 7.3.7 Seasonality

The Group observes a certain seasonality in its activity. The turnover generated is often lower in the second half of the year than in the first, because of the months of August and December when activity is lower. Consequently, this seasonality may have an impact on the full-year gross operating surplus margin.

### 7.4 Main factors affecting the Group's profitability

#### 7.4.1 Mix of products and services and activities of the Group

The Group's gross operating profit and gross operating profit margin are affected by the relative contributions of each of the Group's activities, with some activities having higher gross operating profit margins than others. The gross operating profit rate is directly correlated with the level of activity. Indeed, when the turnover growth rate of an activity increases faster than the growth rate of the related

expenses, this operational efficiency enables the Group to increase the gross operating surplus of the activity concerned.

- Eurolyo, which provides services (raw materials are supplied by the customer) has a gross margin of 100%. Fixed costs correspond to rent, payroll and maintenance of equipment. Variable expenses correspond to electricity consumption. The increase in turnover thus has a very high conversion rate into gross operating profit.
- The plant extraction activity is a high value-added activity. The gross margin is greater than 75% of turnover. The main operating expenses, which are fixed costs, correspond to payroll, energy consumption and maintenance costs. Salaries mainly concern production teams and R&D and QSE teams.
- Adkalis' activity has a gross margin corresponding to approximately 60% of its turnover. The main expenses are made up of sales force and R&D and regulatory costs. Transportation costs on sales correspond to approximately 4 to 5% of turnover. In 2020, the gross margin increased by three points of turnover, which had a direct impact on the gross operating profit rate.

Lixol's activity has a lower gross margin (between 38% and 40% of turnover). The cost of purchasing materials has an impact on the gross margin. Operating expenses consist of payroll for production teams, energy consumption, sales force and R&D.

All Group companies benefit from the pooling of certain central costs:

- o Industrial Department;
- o Maintenance;
- o QSE;
- o IT;
- o Purchasing;
- o Administrative (accounting, HR).

It is generally difficult to adjust fixed costs in response to a drop in demand, for example, or this adjustment can only be made with a certain time lag. The Group's gross operating profit margin therefore depends on the Group's ability to absorb its fixed costs through its production volumes and reduce the share of its fixed costs in its overall production cost, for a given level of production.

The Group also undertakes continuous measures to improve the operational efficiency of its production sites. In addition, the Group is implementing measures to optimise inventory management and improve the flexibility of its production lines, with the introduction of weekly production plans and monthly industrial and commercial plans.

Some of the Group's activities have significant margin expansion potential due to economies of scale. In these activities, unit production costs decrease as volumes increase, allowing the Group to increase

its operating margins as sales increase. Similarly, by investing in its production lines, the Group can also reduce its production costs, by making it possible to absorb costs, or increase its margins.

#### 7.4.2 Changes in raw materials prices

The purchase price of raw materials is dependent on market conditions, relations with suppliers, purchasing volumes and purchasing terms negotiated with them. This purchase price varies significantly both over time and depending on the geographical location of operations.

The Plant Extraction division has a higher gross margin and added value (due to it being a processing activity). Purchases by the Plant Extraction division consist mainly of solvents and, to a lesser extent, the plants processed (around 5,000 tonnes of plants are purchased and processed each year).

The Formulation division has a slightly lower added value and material purchases generally represent 50% of its turnover. The Formulation division's purchases consist of biocides, solvents, additives and resins.

The following table summarises the average breakdown on purchases by division in 2020:

	Total	Plant Extraction division	Formulation division
Plants	13%	100%	0%
Additives	18%	17%	83%
Biocides	28%	0%	100%
Resins	21%	0%	100%
Solvents	20%	26%	74%

#### 7.4.3 Transport costs

Transport costs represent a significant part of the cost base of the Group's activity (3.5% of Group turnover in 2020). Consequently, factors affecting the market price for these services, such as fuel costs, available capacity, etc. may have an impact on the Group's profitability.

### 7.5 Presentation and analysis of the combined income statements of Groupe Berkem for the financial years ended 31 December 2020, 2019 and 2018

For the financial years ended 31 December 2020, 2019 and 2018, the combined income statement analysis is as follows:

<i>In thousands of euros</i>	31/12/2020	31/12/2019	31/12/2018
<i>Turnover</i>	<b>40,574</b>	<b>37,766</b>	<b>39,172</b>
<i>Overall gross margin</i>	<b>26,400</b>	<b>24,985</b>	<b>25,150</b>
<i>Overall gross margin as % of turnover</i>	<b>65.07%</b>	<b>66.16%</b>	<b>64.20%</b>
<i>Gross operating profit</i>	<b>8,014</b>	<b>5,666</b>	<b>6,879</b>
<i>Gross operating profit as % of turnover</i>	<b>19.75%</b>	<b>15.01%</b>	<b>17.56%</b>
<i>Operating income</i>	<b>4,851</b>	<b>2,910</b>	<b>4,193</b>
<i>Operating income as % of turnover</i>	<b>11.96%</b>	<b>7.71%</b>	<b>10.71%</b>
<i>Net financial income</i>	<b>(150)</b>	<b>(2,558)</b>	<b>(3,082)</b>
<i>Current income</i>	<b>4,701</b>	<b>352</b>	<b>1,111</b>
<i>Non-recurring income</i>	<b>(2,107)</b>	<b>(147)</b>	<b>(545)</b>

<i>Combined net income</i>	<b>1,462</b>	<b>285</b>	<b>782</b>
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### 7.5.1 Comparison of combined earnings for the financial years ended 31 December 2020 and 2019

#### Turnover

For the financial years ended 31 December 2020 and 2019, the composition of turnover was as follows:

	Financial year ended 31 December				Change
	2020		2019		
	In thousands of euros	As % of turnover	In thousands of euros	As % of turnover	
Food & Sub-contracted work	2,483	6.1%	2,169	5.7%	14.5%
Cosmetics	4,369	10.8%	3,848	10.2%	13.5%
Nutritional supplements	6,971	17.2%	6,480	17.2%	7.6%
Other plant extraction	497	1.2%	447	1.2%	11.3%
<b>Plant extraction</b>	<b>14,320</b>	<b>35.3%</b>	<b>12,945</b>	<b>34.3%</b>	<b>10.6%</b>
Construction	15,076	37.2%	14,770	39.1%	2.1%
Coatings	6,106	15.0%	5,527	14.6%	10.5%
Pest Control	4,415	10.9%	4,524	12.0%	(2.4)%
Boosters	547	1.3%	-	-	-
Other formulations	110	0.3%	-	-	-
<b>Formulation</b>	<b>26,254</b>	<b>64.7%</b>	<b>24,821</b>	<b>65.7%</b>	<b>5.8%</b>
<b>Turnover</b>	<b>40,574</b>	<b>100.0%</b>	<b>37,766</b>	<b>100.0%</b>	<b>7.4%</b>

In 2020, the Group's turnover amounted to €40,574 thousand, up 7.4% compared to 2019, when it stood at €37,766 thousand.

Each of the Group's two divisions saw an increase in turnover. The most significant growth was achieved by the Plant Extraction division with +10.6%. Turnover rose from €12,945 thousand in 2019 to €14,320 thousand in 2020. The Formulation division recorded growth of +5.8%, rising from €24,821 thousand in 2019 to €26,254 thousand in 2020.

The increase in turnover from the Plant Extraction division is mainly due to:

- A 14.5% increase in turnover from the food and sub-contracted work line, mainly due to an increase in transaction volumes. The increase in volumes handled is the result of work on prospects undertaken since 2018 on these activities;
- A 13.5% increase in cosmetics turnover, mainly due to an increase in volumes. This increase is mainly due to the very strong ramp-up of a customer in North America for one of the Group's new products (floral waters);
- A 7.6% increase in turnover from the nutritional supplements line, mainly due to an increase in transaction volumes, which corresponds to a return to a more normative level of this activity.

The increase in turnover for the Formulation division is due to:

- A 2.1% increase in turnover from the construction line, mainly due to an increase in demand and in particular from exports, where the Group was less present;
- A 10.5% increase in turnover for the coatings line, mainly related to commercial development with a major new customer in the second part of the year;

- A decrease of 2.4% in turnover from the pest control line, mainly due to the impact of the pandemic.

In 2020, the Group generated turnover of €547 thousand thanks to plant-based boosters (with the launch of the Koalib product line). In addition, the Group's combined turnover generated by products for the construction or coatings markets and containing plant-based boosters was €1,531 thousand in 2020.

### **Overall gross margin**

The following table shows the reconciliation of the Group's turnover with overall gross margin for financial years ended 31 December 2020 and 2019.

	Financial year ended 31 December				Change
	2020		2019		
	In thousands of euros	As % of turnover	In thousands of euros	As % of turnover	
Turnover	40,574	100.0%	37,766	100.0%	7.4%
Production in inventory	(196)	(0.5)%	523	1.4%	n.m.
Capitalised production	1,383	3.4%	1,687	4.5%	(18.1)%
Purchasing and change in inventory of raw materials	(15,360)	(37.86%)	(14,991)	(39.7)%	2.5%
<b>Overall gross margin</b>	<b>26,400</b>	<b>65.07%</b>	<b>24,985</b>	<b>66.16%</b>	<b>5.7%</b>

### **Gross operating profit**

The following table shows the reconciliation of the Group's overall gross margin and gross operating profit for the financial years ended 31 December 2020 and 2019.

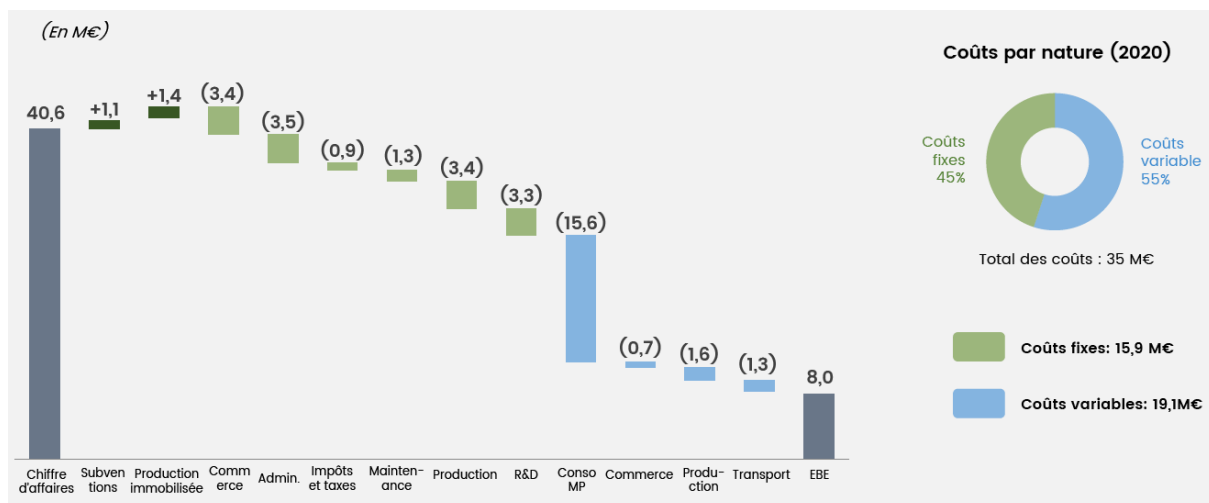
	Financial year ended 31 December				Change
	2020		2019		
	In thousands of euros	As % of turnover	In thousands of euros	As % of turnover	
<b>Overall gross margin</b>	<b>26,400</b>	<b>65.1%</b>	<b>24,985</b>	<b>66.2%</b>	<b>5.7%</b>
<b>Other purchases and external expenses</b>	<b>8,254</b>	<b>20.3%</b>	<b>8,562</b>	<b>22.7%</b>	<b>(3.6)%</b>
<i>Of which purchases of materials and supplies not in inventory</i>	1,093	2.7%	1,126	3.0%	(2.9)%
<i>Of which leases and rental expenses</i>	557	1.4%	549	1.5%	1.5%
<i>Of which maintenance and repairs</i>	584	1.4%	573	1.5%	2.1%
<i>Of which research and studies</i>	471	1.2%	399	1.1%	18.0%
<i>Of which external personnel</i>	667	1.6%	695	1.8%	(4.2)%
<i>Of which compensation of temporary staff and fees</i>	1,420	3.5%	1,443	3.8%	(1.6)%
<i>Of which transport</i>	1,429	3.5%	1,322	3.5%	8.1%
<i>Of which travel, assignments</i>	593	1.5%	1,007	2.7%	(41.1)%
<i>Of which other</i>	1,441	3.6%	1,449	3.8%	(0.6)%
<b>Personnel expenses</b>	<b>10,286</b>	<b>25.4%</b>	<b>10,920</b>	<b>28.9%</b>	<b>(5.8)%</b>
<b>Tax credits and operating grants</b>	<b>(1,051)</b>	<b>(2.6)%</b>	<b>(1,109)</b>	<b>(2.9)%</b>	<b>n.m.</b>
<b>Taxes, duties and similar payments</b>	<b>897</b>	<b>2.2%</b>	<b>946</b>	<b>2.5%</b>	<b>(5.2)%</b>
<b>Gross operating profit</b>	<b>8,014</b>	<b>19.8%</b>	<b>5,666</b>	<b>15.0%</b>	<b>41.4%</b>
<i>Other income</i>	144	0.4%	73	0.2%	97.3%
<i>Other operating expenses</i>	(430)	(1.1)%	(217)	(0.6)%	98.2%
<b>EBIDTA</b>	<b>7,727</b>	<b>19.0%</b>	<b>5,522</b>	<b>14.6%</b>	<b>(39.9)%</b>

In 2019, the Group's gross operating profit increased from €5,666 thousand in 2019 to €8,014 thousand in 2020, an increase of 41.4%. As a percentage of turnover, gross operating profit increased from 15.0% of turnover in 2019 to 19.8% of turnover in 2020. The improvement in gross operating profit as a percentage of turnover is mainly due to a decrease in other purchases and external expenses and personnel expenses as a percentage of turnover. This improvement more than offset a slight decrease in the gross margin rate due to the product mix (share of plant extraction which has a higher gross margin in total turnover).

The main changes can be summarised as follows:

- A slight decline in gross margin from 66.2% of turnover in 2019 to 65.1% of turnover in 2020. This decrease as a percentage of turnover is mainly due to the product mix (share of plant extraction, which has a higher gross margin in total turnover);
- An improvement in other purchases and external expenses as a percentage of turnover, which rose from 22.7% of turnover in 2019 to 20.3% of turnover in 2020. This improvement is due to widespread control of costs:
  - Travel costs
  - Seminars
  - Trade shows
  - External laboratory work;
- An improvement in personnel costs as a percentage of turnover, which rose from 28.9% of turnover in 2019 to 25.4% of turnover in 2020. This improvement is mainly due to a plan to rationalise the workforce, with departures not replaced.

The table below summarises the reconciliation between turnover and gross operating profit in 2020:



(In €m)														Costs by type (2020)	
40.6	+1.1	+1.4	(3.4)	(3.5)	(0.9)	(1.3)	(3.4)	(3.3)	(15.6)	(0.7)	(1.6)	(1.3)	8.0	Fixed costs 45%	Variable cost 55%
Turn over	Grants	Capitalised production	Trade	Admin.	Taxes and duties	Maintenance	Production	R&D	Raw materials consumption	Trade	Production	Transportation	Gross operating profit	Total costs: €35m	
														Fixed costs: €15.9m	
														Variable costs: €19.1m	

### Operating income

The Group's operating income increased from €2,910 thousand, or 7.7% of turnover in 2019, to €4,851 thousand, or 11.9% of turnover in 2020. The improvement is mainly due to the improvement in gross operating profit described above.

### Net financial income

The table below summarises the composition of the Group's net financial income for the financial years ended 31 December 2020 and 2019.

	Financial year ended 31 December	
	2020	2019
	In thousands of euros	In thousands of euros
Financial income	2,167	327
Financial expenses	(2,317)	(2,885)
<b>Net financial income</b>	<b>(150)</b>	<b>(2,558)</b>

In 2020, net financial income was -€150 thousand. It was -€2,558 thousand in 2019. The amount of financial income in 2020 corresponds, in particular, to a reversal of provisions on T&G receivables (for €1,858 thousand). These were waived in financial year 2020, generating a non-recurring expense of €2,004 thousand.

### Net income



The table below summarises the transition from EBIT to net income for the financial years ended 31 December 2020 and 2019.

	Financial year ended 31 December	
	2020	2019
	In thousands of euros	In thousands of euros
<b>Current income</b>	<b>4,701</b>	<b>352</b>
<i>Extraordinary income</i>	229	59
<i>Non-recurring expenses</i>	(2,336)	(206)
<b>Non-recurring income</b>	<b>(2,107)</b>	<b>(147)</b>
Income tax	(1,146)	(21)
Amortisation of goodwill	(15)	(59)
<b>Total net income</b>	<b>1,462</b>	<b>285</b>
Of which non-controlling interests	21	(12)
<b>Net income for the financial year (attributable to owners of the parent)</b>	<b>1,441</b>	<b>297</b>

Net income for the financial year (attributable to owners of the parent) improved in 2020, from €297 thousand in 2019 to €1,441 thousand in 2020. The improvement mainly reflects the strong increase in current income, which rose from €352 thousand in 2019 to €4,701 thousand in 2020. This increase is the result of:

- The improvement in operating income, which rose from €2,910 thousand in 2019 to €4,851 thousand in 2020;
- The recognition of financial income of €1,858 thousand corresponding to a reversal of provisions on T&G receivables.

Non-recurring income changed unfavourably from -€147 thousand in 2019 to a -€2,107 thousand in 2020. This change corresponds in particular to the recognition as a non-recurring expense of debt waivers for T&G of €2,004 thousand.

Other expenses correspond, in particular, to decontamination costs and to fees.

- An increase in income tax, which rose from €21 thousand in 2019 to €1,146 thousand in 2020.

## 7.5.2 Comparison of results for the financial years ended 31 December 2019 and 2018

### Turnover

For the financial years ended 31 December 2019 and 2018, turnover was as follows:

	Financial year ended 31 December				Change
	2019		2018		
	In thousands of euros	As % of turnover	In thousands of euros	As % of turnover	
Food & Sub-contracted work	2,169	5.7%	1,702	4.3%	27.4%
Cosmetics	3,848	10.2%	4,083	10.4%	(5.8)%
Nutritional supplements	6,480	17.2%	8,020	20.5%	(19.2)%
Other	447	1.2%	312	0.8%	43.3%
<b>Plant extraction</b>	<b>12,945</b>	<b>34.3%</b>	<b>14,117</b>	<b>36.0%</b>	<b>(8.3)%</b>
Construction	14,770	39.1%	15,539	39.7%	(4.9)%
Coatings	5,527	14.6%	5,237	13.4%	(5.5)%
Pest Control	4,524	12.0%	4,279	10.9%	5.7%
Boosters	-	-	-	-	-
Other	-	-	-	-	-

<b>Formulation</b>	<b>24,821</b>	<b>65.7%</b>	<b>25,055</b>	<b>64.0%</b>	<b>(0.9)%</b>
<b>Total Turnover</b>	<b>37,766</b>	<b>100.0%</b>	<b>39,172</b>	<b>100.0%</b>	<b>(3.6)%</b>

In 2019, the Group's turnover amounted to €37,766 thousand, down 3.6% compared to 2018, when it stood at €39,172 thousand. This decrease is due to the decline in turnover for each of the Group's two divisions.

Turnover from the Plant Extraction division decreased by 8.3%, from €14,117 thousand in 2018 to €12,945 thousand in 2019. This decrease of €1,172 thousand is mainly due to the following items:

- A 27.4% increase in turnover from the food and sub-contracted work line, mainly due to an increase in transaction volumes, in line with the Group's desire to increase the volume of sub-contracted work: recruitment of a dedicated sales representative in 2018;
- A 5.8% decrease in turnover in the cosmetics line, mainly due to lower volumes. There was an impact from the *gilets jaunes* protests that was felt at the end of 2019;
- A 19.2% decrease in turnover from the nutritional supplements line, mainly due to a decrease in transaction volumes. The Covid-19 pandemic brought this activity to a sudden halt at the end of 2019.

Turnover of the Formulation division remained relatively stable in 2019, with a decrease of 0.9% compared to the 2018 financial year. This change is due to the following:

- A decrease of 4.9% in turnover from the construction line, mainly due to lower export volumes (lower presence);
- A 5.5% increase in turnover from the coatings line, mainly due to the commercial efforts undertaken;
- A 5.7% increase in turnover for the pest control line driven by a structural growth trend in the market;

### **Overall gross margin**

The following table shows the reconciliation of the Group's turnover with overall gross margin for financial years ended 31 December 2019 and 2018.

	Financial year ended 31 December				Change
	2019		2018		
	In thousands of euros	As % of turnover	In thousands of euros	As % of turnover	
<b>Turnover</b>	<b>37,766</b>	<b>100.0%</b>	<b>39,172</b>	<b>100.0%</b>	<b>-3.6%</b>
Production in inventory	523	1.4%	274	0.7%	90.9%
Capitalised production	1,687	4.5%	1,554	4.0%	8.6%
Materials consumption and subcontracting	(14,991)	39.7%	(15,850)	40.5%	-5.4%
<b>Overall gross margin</b>	<b>24,985</b>	<b>66.2%</b>	<b>25,149</b>	<b>64.2%</b>	<b>-0.7%</b>

In 2019, the overall gross margin increased from 64.2% of turnover to 66.2% of turnover. In 2019, investment was sustained.

## Gross operating profit

The following table shows the reconciliation between overall gross margin and gross operating profit of the Group for the financial years ended 31 December 2019 and 2018.

	Financial year ended 31 December				Change
	2019		2018		
	In thousands of euros	As % of turnover	In thousands of euros	As % of turnover	
<b>Overall gross margin</b>	<b>24,985</b>	<b>66.2%</b>	<b>25,149</b>	<b>64.2%</b>	<b>5.7%</b>
<b>Other purchases and external expenses</b>	<b>8,562</b>	<b>22.7%</b>	<b>8,500</b>	<b>21.7%</b>	<b>0.7%</b>
<i>Of which purchases of materials and supplies not in inventory</i>	<i>1,125</i>	<i>3.0%</i>	<i>1,061</i>	<i>2.7%</i>	<i>6.0%</i>
<i>Of which leases and rental expenses</i>	<i>549</i>	<i>1.5%</i>	<i>486</i>	<i>1.2%</i>	<i>13.0%</i>
<i>Of which maintenance and repairs</i>	<i>573</i>	<i>1.5%</i>	<i>536</i>	<i>1.4%</i>	<i>6.9%</i>
<i>Of which research and studies</i>	<i>399</i>	<i>1.1%</i>	<i>587</i>	<i>1.5%</i>	<i>(32.0)%</i>
<i>Of which external personnel</i>	<i>695</i>	<i>1.8%</i>	<i>660</i>	<i>1.7%</i>	<i>5.3%</i>
<i>Of which compensation of temporary staff and fees</i>	<i>1,443</i>	<i>3.8%</i>	<i>1,106</i>	<i>2.8%</i>	<i>30.5%</i>
<i>Of which transport</i>	<i>1,322</i>	<i>3.5%</i>	<i>1,505</i>	<i>3.8%</i>	<i>(12.2)%</i>
<i>Of which travel, assignments</i>	<i>1,007</i>	<i>2.7%</i>	<i>890</i>	<i>2.3%</i>	<i>13.1%</i>
<i>Of which other</i>	<i>1,449</i>	<i>3.8%</i>	<i>1,669</i>	<i>4.3%</i>	<i>(13.2)%</i>
<b>Personnel expenses</b>	<b>10,920</b>	<b>28.9%</b>	<b>9,983</b>	<b>25.5%</b>	<b>9.4%</b>
<b>Tax credits and operating grants</b>	<b>(1,109)</b>	<b>(2.9)%</b>	<b>(1,221)</b>	<b>(3.1)%</b>	<b>n.m.</b>
<b>Taxes, duties and similar payments</b>	<b>946</b>	<b>2.5%</b>	<b>1,008</b>	<b>2.6%</b>	<b>(6.1)%</b>
<b>Gross operating profit</b>	<b>5,666</b>	<b>15.0%</b>	<b>6,879</b>	<b>17.6%</b>	<b>(17.6)%</b>
<i>Other income</i>	<i>73</i>	<i>0.2%</i>	<i>25</i>	<i>0.1%</i>	<i>192.0%</i>
<i>Other operating expenses</i>	<i>(217)</i>	<i>(0.6)%</i>	<i>(212)</i>	<i>(0.5)%</i>	<i>2.4%</i>
<b>EBIDTA</b>	<b>5,522</b>	<b>14.6%</b>	<b>6,693</b>	<b>17.1%</b>	<b>(17.5)%</b>

The Group's gross operating profit fell from €6,879 thousand in 2018 to €5,666 thousand in 2019, a decrease of 17.6%. As a percentage of turnover, gross operating profit decreased from 17.6% of turnover in 2018 to 15.0% of turnover in 2019. The decrease in gross operating profit as a percentage of turnover is mainly due to an increase in other purchases and external expenses and personnel expenses as a percentage of turnover. This increase more than offset an improvement in the gross margin rate, which rose from 64.2% of turnover in 2018 to 66.2% of turnover in 2019.

The decline in operating profitability in 2019 is due to the €1 million decrease in turnover in the Plant Extraction division. While ahead of its budget until the end of August, sales of this division fell sharply in the last quarter. With a gross margin rate of between 75% and 80%, the loss of this €1 million in turnover had an impact of approximately €0.75 million on gross operating profit.

More specifically, the decrease in gross operating profit is mainly due to:

- An increase in the gross margin from 64.2% of turnover in 2018 to 66.2% of turnover in 2019. This improvement as a percentage of turnover is mainly due to the changes described above;
- An increase in other purchases and external expenses as a percentage of turnover, which rose from 21.7% in 2018 to 22.7% of turnover in 2019. This change is mainly due to an increase in the remuneration expenses of intermediaries and fees as a percentage of turnover and an increase in travel and assignments as a percentage of turnover. This effect was partially offset by a decrease in transport costs as a percentage of turnover due to a lower share of exports in the turnover of the Formulation division;

- An increase in personnel expenses as a percentage of turnover, from 25.5% of turnover in 2018 to 28.9% of turnover in 2019;
- A decrease in tax credits and operating subsidies as a percentage of turnover, from 3.1% of turnover in 2018 to 2.9% of turnover in 2019;
- A slight decrease in taxes as a percentage of turnover from 2.6% of turnover in 2018 to 2.5% of turnover in 2019.

### **Operating income**

The Group's operating income decreased from €4,193 thousand, or 10.7% of turnover in 2018 to €2,910 thousand, or 7.7% of turnover in 2019. This decrease is mainly due to the decrease in gross operating profit described above.

### **Net financial income**

The table below summarises the composition of the Group's net financial income for the financial years ended 31 December 2019 and 2018.

	Financial year ended 31 December	
	2019	2018
	In thousands of euros	In thousands of euros
Financial income	327	1,691
Financial expenses	(2,885)	(4,773)
<b>Net financial income</b>	<b>(2,558)</b>	<b>(3,082)</b>

In 2019, net financial income was negative at €2,558 thousand compared to a negative €3,082 thousand in 2018.

For the financial year ended 31 December 2018, net financial income was negative at €3,082 thousand. Financial income amounted to €1,691 thousand and mainly consisted of reversals of financial provisions (in particular, €649 thousand in reversals of non-conversion premiums provisioned in 2017 and called up in 2018 as well as €442 thousand in reversals of provisions for the cost of marketable securities giving access to the share capital) as well as other financial income, including €588 thousand in re-billing of interest expenses to HOF and T&G Distribution.

Financial expenses amounted to €4,773 thousand including:

- €3,252 thousand in interest or loan penalties;
- €1,023 thousand in financial impairment on current accounts held by Group companies in T&G Distribution; and
- €422 thousand related to the buyback by the Group of marketable securities giving access to its share capital.

For the financial year ended 31 December 2019, net financial income was negative at €2,558 thousand. Financial income amounted to €327 thousand (including €320 thousand from re-invoicing of interest expenses to HOF and T&G Distribution).

Financial expenses amounted to €2,885 thousand including:

- €1,915 thousand in interest on borrowings;

- €835 thousand in financial impairment on current accounts held by Group companies in T&G Distribution.

### Net income

The table below summarises the transition from EBIT to net income for the financial years ended 31 December 2019 and 2018.

	Financial year ended 31 December	
	2019	2018
	In thousands of euros	In thousands of euros
<b>Current income</b>	<b>352</b>	<b>1,111</b>
<i>Extraordinary income</i>	59	192
<i>Non-recurring expenses</i>	(206)	(737)
<b>Non-recurring income</b>	<b>(147)</b>	<b>(545)</b>
Income tax	(21)	(157)
Amortisation of goodwill	(59)	(59)
<b>Total net income</b>	<b>285</b>	<b>782</b>
Of which non-controlling interests	(12)	12
<b>Net income for the financial year (attributable to owners of the parent)</b>	<b>297</b>	<b>770</b>

Net income for the financial year (attributable to owners of the parent) slightly deteriorated in 2019, from net income of €770 thousand in 2018 to income of €297 thousand in 2019. This decrease mainly reflects the decrease in operating income, which fell from an income of €4,193 thousand to an income of €2,910 thousand.

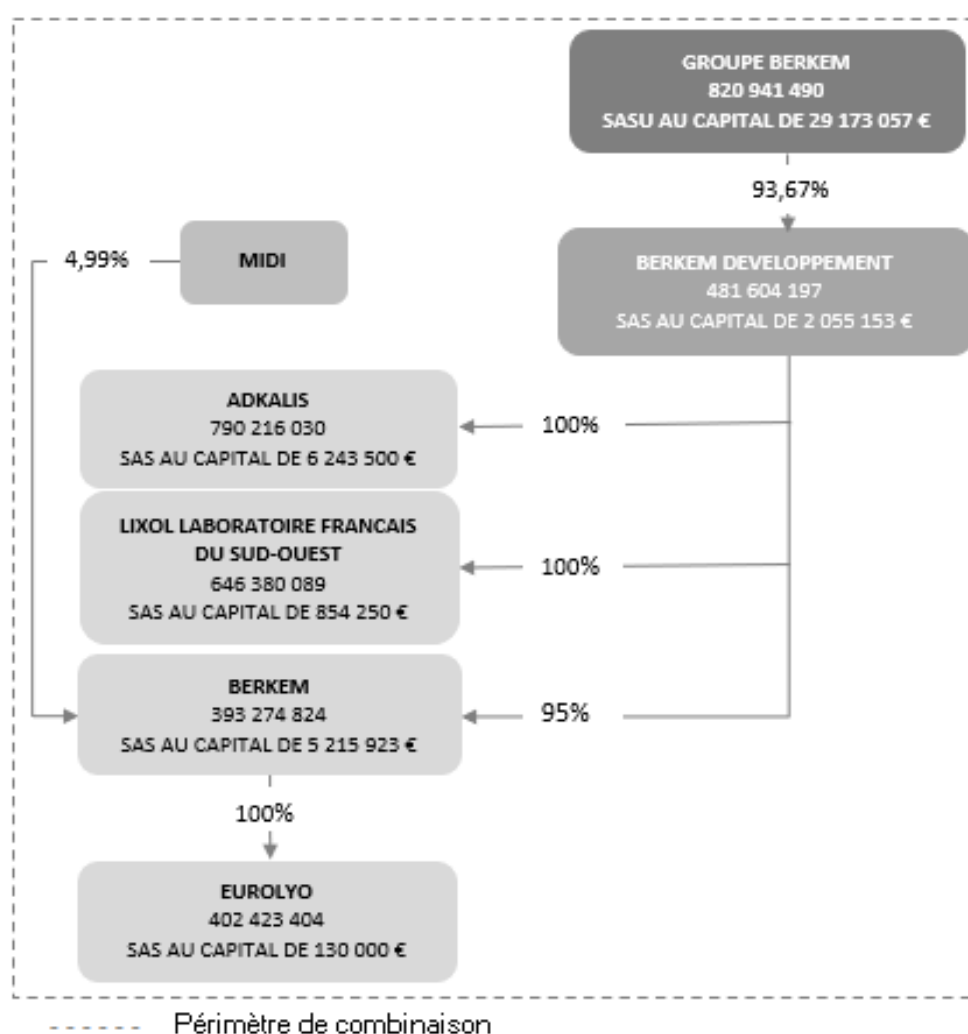
- The change in non-recurring income, which went from a non-recurring loss of €545 thousand in 2018 to a non-recurring loss of €147 thousand in 2019.
  - The extraordinary income recorded during the financial year ended 31 December 2018, for a total amount of €192 thousand, mainly corresponds to asset disposals (€179 thousand).
  - Non-recurring expenses totalling €737 thousand recognised during the financial year ended 31 December 2018 consist of:
    - decontamination costs for an industrial site (for €156 thousand) and staff departures (for €231 thousand). The Group records expenses relating to the decontamination of the Gardonne site as non-recurring expenses. No off-balance sheet commitments or provisions have been recorded because the decontamination costs cannot be precisely estimated as they depend on the results of monthly analyses. The results are provided monthly to French State services (DREAL and the Prefecture). The Group states that 7 years ago it subscribed to insurance providing a financial guarantee of decontamination; this guarantees that the site will be decontaminated even if the Group is not solvent to do so. The Group believes that it has decontaminated almost all of the initial situation.
    - and the impairment of an unpaid CIR receivable from the tax authorities for an amount of €170 thousand. The Group annually submits 4 Research Tax Credit (CIR) files (for Berkem Développement, Adkalis, Lixol and Berkem SAS). Berkem Développement's CIR for 2016 is the only one to be challenged by the Administration for €170 thousand. In the following years, Berkem Développement's CIR was validated and paid. In 2018, Berkem SAS had an accounting audit for 2015 and 2016 by the DGFIP (French Directorate General of Public Finance) which did not result in any adjustment. It is specified that

Berkem SAS's CIR files have been sent to the French Ministry of Research for validation. Lixol also had an accounting audit by the DGFIP in 2017. No comment was made regarding the CIR.

- The non-recurring expenses recorded during the financial year ended 31 December 2019 for a total amount of €206 thousand include in particular €86 thousand in indemnities relating to the departure of employees without legal disputes and €107 thousand corresponding to remediation on the Gardonne site.
- A decrease in income tax, which fell from €157 thousand in 2018 to €21 thousand in 2019.

## 7.6 Presentation and analysis of the half-year consolidated income statements of Groupe Berkem at 30 June 2021

The consolidated financial statements at 30 June 2021 present an interim position of 4 months. On 8 March 2021, Groupe Berkem acquired a stake in BERKEM DÉVELOPPEMENT, thus becoming the parent company of Groupe Berkem.



This is the first legal consolidation of Groupe Berkem.

In order to provide a better economic view of Groupe Berkem's activity in the first half of 2021 and to allow for a comparison with the same period of the previous financial year, *pro forma* half-yearly financial information from 1 January to 30 June 2021, retroactive to the acquisition of BERKEM

DÉVELOPPEMENT at 1 January 2021, and combined half-yearly financial statements for 2020 have been prepared. The information presented in the table below is taken from the 2021 half-year consolidated financial statements, the 2021 *pro forma* half-year financial information and the 2020 combined financial statements:

<i>In thousands of euros</i>	<b>Consolidated financial statements 30 June 2021</b>	<b>Combined <i>pro forma</i> financial statements 30 June 2021</b>	<b>Combined financial statements 30 June 2020</b>
<i>Duration</i>	<b>4 months of activity</b>	<b>6 months of activity</b>	<b>6 months of activity</b>
<i>Turnover</i>	<b>17,607</b>	<b>25,172</b>	<b>19,904</b>
<i>Overall gross margin</i>	<b>11,177</b>	<b>15,472</b>	<b>12,616</b>
<i>As % of turnover</i>	<b>63%</b>	<b>61%</b>	<b>63%</b>
<i>Gross operating profit</i>	<b>3,973</b>	<b>5,522</b>	<b>4,330</b>
<i>As % of turnover</i>	<b>23%</b>	<b>22%</b>	<b>22%</b>
<i>Operating income</i>	<b>2,922</b>	<b>4,097</b>	<b>2,958</b>
<i>Net financial income</i>	<b>(826)</b>	<b>(1,203)</b>	<b>(937)</b>
<i>Current income</i>	<b>2,096</b>	<b>2,893</b>	<b>2,021</b>
<i>Non-recurring income</i>	<b>(820)</b>	<b>(780)</b>	<b>(170)</b>
<i>Combined net income</i>	<b>884</b>	<b>1,535</b>	<b>1,494</b>

7.6.1 Comparison of the *pro forma* combined net income from 1 January to 30 June 2021 and the combined income statement from 1 January 2020 to 30 June 2020

**The following developments are based on the *pro forma* combined half-year figures for 2021 and the combined half-year figures for 2020, showing six months of activity.**

### Turnover

Breakdown of Turnover for the first half of 2020 and in the first half of 2021 is as follows:

	<b>H1 2021 vs H1 2020</b>				<b>Change</b>
	<b>2021</b>		<b>2020</b>		
	<b>Turnover in €K</b>	<b>As % of turnover</b>	<b>Turnover in €K</b>	<b>As % of turnover</b>	
Food & Sub-contracted work	1,067	4.2%	1,147	5.8%	-7.0%
Cosmetics	2,387	9.5%	2,231	11.2%	7.0%
Nutritional Supplements	3,868	15.4%	3,707	18.6%	4.3%
Others	154,3	0.6%	72,7	0.4%	112.4%
<b><i>Plant extraction</i></b>	<b>7,476</b>	<b>29.7%</b>	<b>7,158</b>	<b>36.0%</b>	<b>4.4%</b>
Construction	10,529	41.8%	7,450	37.4%	41.3%
Coatings	4,116	16.4%	2,715	13.6%	51.6%
Pest Control	2,829	11.2%	2,040	10.3%	38.7%
Boosters	60	0.2%	470	2.4%	-87.2%
Other	162	0.6%	70.5	0.4%	0.0%

<b>Formulation</b>	<b>17,696</b>	<b>70.3%</b>	<b>12,746</b>	<b>64.0%</b>	<b>38.8%</b>
<b>Turnover</b>	<b>25,172</b>	<b>100.0%</b>	<b>19,904</b>	<b>100.0%</b>	<b>26.5%</b>

Turnover increased by 26.5% during the first half of 2021. Turnover from the Plant Extraction division, which had already achieved a good level in the first half of 2020, increased by 4.4% to €7,476 thousand. This increase is mainly due to an increase in turnover generated by sales to the cosmetics industry (+7% due to the ramp-up of new product lines for new customers) and nutritional supplements (+4.3% due to a recovery in the Chinese and American markets). The Formulation division saw its turnover grow very strongly (+38.8%), with strong growth in each of the three sectors (Construction +41.3%; Coatings +51.6% and Pest Control +38.7%). This increase is explained by a volume effect and there is no price impact on this growth. The Formulation division's good performance is due in particular to:

- the ramp-up of bio-sourced product lines;
- the roll-out of marketing authorisations internationally;
- weak supply of competing products on the market;
- capacity investments made in 2019 and 2020; and
- to a lesser extent, the post-Covid recovery in the construction industry.

The Boosters activity, boosted in the first half of 2020 by Covid declined in the first half of 2021, but discussions on several large-sized contracts are ongoing.

### Overall gross margin

The table below summarises the transition from turnover to the Group's overall gross margin for the half-year positions at 30 June 2021 and 30 June 2020.

	30/06/2021		30/06/2020		Change
	In thousands of euros	As % of turnover	In thousands of euros	As % of turnover	
<b>Turnover</b>	<b>25,172</b>	<b>100.00%</b>	<b>19,904</b>	<b>100.00%</b>	<b>26.47%</b>
Production in inventory	148	0.59%	(288)	1.45%	-(151.39)%
Capitalised production	481	1.91%	677	3.40%	-(28.95)%
Materials consumption and subcontracting	(10,329)	41.03%	(7,677)	38.57%	34.55%
<b>Overall gross margin</b>	<b>15,472</b>	<b>61.46%</b>	<b>12,616</b>	<b>63.38%</b>	<b>22.6%</b>

### Gross operating profit

	30/06/2021		30/06/2020		Change
	In thousands of euros	As % of turnover	In thousands of euros	As % of turnover	
<b>Overall gross margin</b>	<b>15,472</b>	<b>61.46%</b>	<b>12,616</b>	<b>63.38%</b>	<b>22.64%</b>
Other purchases and external expenses	4,232	16.81%	3,360	16.88%	25.95%
Personnel expenses	5,688	22.59%	4,856	24.40%	17.13%
Taxes, duties and similar payments	406	1.61%	401	2.01%	1.25%
Other income	479	1.90%	545	2.73%	(12.91)%
Other expenses	103	0.41%	213	1.07%	-(51.64)%
<b>Gross operating profit</b>	<b>5,558</b>	<b>22.08%</b>	<b>4,541</b>	<b>22.81%</b>	<b>22.40%</b>
<i>Other income</i>	<b>67</b>	<b>0.27%</b>	<b>3</b>	<b>0.02%</b>	<b>2,133.33%</b>



<i>Other operating expenses</i>	(103)	(0.41%)	(213)	-1.07%	-51.64%
<b>EBITDA</b>	<b>5,522</b>	<b>21.94%</b>	<b>4,331</b>	<b>21.76%</b>	<b>27.50%</b>

The Group's gross operating profit rose from €4,541 thousand at 30 June 2020 to €5,558 thousand at 30 June 2021, an increase of 22.40%. As a percentage of turnover, gross operating profit remained relatively stable at 22.08% compared to 22.81% over the same period in 2020. The slight decrease in gross operating profit as a percentage of turnover is mainly due to a slight decrease in gross margin as a percentage of turnover, from 63.38% in the first half of 2020 to 61.46% in the first half of 2021.

Other purchases and external expenses increased by 25.95% in the first half of 2021 compared to the first half of 2020. This increase is due to:

- an increase in transport costs on sale (linked to the increase in Turnover);
- an increase in temporary work;
- an increase in travel expenses. In the first half of 2020, with the lockdown, travel expenses had decreased.

Personnel expenses increased by 17% compared to the first half of 2020. This increase is due to the impact of Covid: partial unemployment measures were taken in the first half of 2020, thus reducing personnel costs.

Compared to the level of Turnover, other purchases and external expenses combined with personnel expenses accounted for 39.40% of turnover compared to the first half of 2021 compared to 41.28% in the first half of 2020.

### **Operating income**

The Group's operating income increased from €2,958 thousand, or 14.9% of turnover at 30 June 2020 to €4,097 thousand, or 16.3% of turnover at 30 June 2021. This increase is mainly due to the increase in gross operating profit described above and the following items:

- The increase in depreciation, amortisation and provisions (€1,879 thousand at 30 June 2021 compared with €1,372 thousand at 30 June 2020) resulting from the investments made in 2019 and 2020;
- A lower level of capitalised production: €481 thousand at 30 June 2021 compared to €677 thousand at 30 June 2020;
- A lower level of research tax credits and subsidies: €412 thousand at 30 June 2021 compared to €541 thousand at 30 June 2020.

### **Net financial income**

The table below summarises the composition of the Group's net financial income at 30 June 2021 and 30 June 2020.

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>In thousands of euros</b>	<b>In thousands of euros</b>
Financial income	81	222
Financial expenses	(1,284)	(1,159)
<b>Net financial income</b>	<b>(1,203)</b>	<b>(937)</b>

Financial expenses mainly correspond to interest on convertible bonds and senior debt borrowings. Financial income corresponds to the re-invoicing of interest on loans to HOF and T&G and interest on current accounts with T&G and HOF in 2021.

### **Net income**

The table below summarises the transition from EBIT to net income at 30 June 2021 and 30 June 2020.

	30 June 21	30 June 20
	In thousands of euros	In thousands of euros
<b>Current income</b>	<b>2,893</b>	<b>2,021</b>
<i>Extraordinary income</i>	307	52
<i>Non-recurring expenses</i>	(1,087)	(223)
<b>Non-recurring income</b>	<b>(780)</b>	<b>(170)</b>
Income tax	(578)	(372)
Amortisation of goodwill		15
Total net income	1,535	1,494
Of which non-controlling interests	134	21
<b>Net income for the financial year (attributable to owners of the parent)</b>	<b>1,401</b>	<b>1,473</b>

Current income increased from €2,021 thousand at 30 June 2020 to €2,893 thousand at 30 June 2021. This increase is in line with the Group's growth in turnover and profitability over the first half of 2021 compared to the first half of 2020.

Non-recurring expenses rose sharply. They increased from €223 thousand in the first half of 2020 to €1,082 thousand in the first half of 2021.

This increase corresponds to fees in connection with the IPO transaction (for €866 thousand).

The Group's net income decreased slightly, from €1,473 thousand at 30 June 2020 to €1,401 thousand at 30 June 2021.

## 7.7 Main performance indicators monitored by management

The Group's financial performance is monitored as follows:

- on an ongoing basis in terms of turnover both by entity and by customer;
- monthly interim management balances are generated by entity and aggregated;
- each month a report is prepared by company with the following information:
  - o turnover and margin by customer, by sales representative and by product,
  - o change in industrial cost price (PRI)<sup>57</sup> and change in raw material costs.

Each production unit outsources a PRI which is monitored by production managers.

The purchase prices of materials are analysed and monitored. In the event that a supplier announces a future increase, the Group immediately analyses the impact on its PRI and attempts, where possible, to find a replacement or an alternative solution to limit the impact.

<sup>57</sup> The industrial cost price is the production cost including:

- consumption of raw materials, semi-finished products and packaging as well as direct and indirect production costs;
- depreciation of assets used in production;
- to which a structure coefficient is applied *in fine*.

EBITDA<sup>58</sup>, the EBITDA margin<sup>59</sup> and gross operating profit<sup>60</sup> are also monitored.

Gross operating profit excludes “other income” and “other operating expenses” (respectively of €144 thousand and €430 thousand in 2020) which are included in the calculation of EBITDA.

## 7.8 Presentation and analysis of balance sheet items

### 7.8.1 Balance sheets from the combined financial statements 2018, 2019 and 2020

#### Fixed assets

The amount of fixed assets changed as follows during the financial years ended 31 December 2020, 2019 and 2018.

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Intangible assets	12,461	11,981	11,383
Property, plant and equipment	11,059	9,908	8,628
Financial assets	9,131	4,600	14,233
<b>Total fixed assets</b>	<b>32,651</b>	<b>26,489</b>	<b>34,244</b>

The main items of intangible assets changed as follows during the financial years ended 31 December 2020, 2019 and 2018.

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Concessions, patents and similar	4,321	4,473	4,416
Research & Development costs	972	212	79
Goodwill	6,710	6,710	6,710
Assets in progress/advances and deposits	458	586	178

<sup>58</sup>

The table below summarizes the calculation of EBITDA for the relevant periods:

	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>H1 2020</u></b>	<b><u>H1 2021</u></b>
<b>Gross operating profit</b>	<b>6.880</b>	<b>5.666</b>	<b>8.013</b>	<b>4.541</b>	<b>5.558</b>
<i>Other profits</i>	25	73	144	3	67
<i>Other operating charges</i>	-212	-217	-430	-213	-103
<b>EBITDA</b>	<b>6.693</b>	<b>5.522</b>	<b>7.727</b>	<b>4.331</b>	<b>5.522</b>
<i>Reversals of impairment and provisions</i>	33	73	96	--	454
<i>Depreciation, amortisation and provisions</i>	-2.533	-2.685	-2.972	-1.372	-1.879
<b>Operating income</b>	<b>4.193</b>	<b>2.910</b>	<b>4.851</b>	<b>2.959</b>	<b>4.097</b>

<sup>59</sup> Ib.

<sup>60</sup> Gross operating profit corresponds to the operating resources generated by the Group. It does not take into account extraordinary income and non-recurring expenses, depreciation and amortisation or the Group’s financing policy.

The Group's property, plant and equipment breaks down as follows:

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Land	799	812	493
Buildings	4,587	4,411	3,901
Technical facilities, machinery and equipment	681	432	2,858
Other property, plant and equipment	2,220	1,849	103
Equipment under finance leases	2,173	1,630	757
Assets under construction/Advances & prepayments	598	775	517

Property, plant and equipment are recognised at their historical acquisition value or their production cost. Depreciation and amortisation are calculated on a straight-line basis over the normal period of use of the goods. It should be noted that property, plant and equipment (i) of a structural nature are depreciated over periods ranging from 10 to 40 years, and (ii) major fixtures and fittings over periods ranging from four to 30 years.

Changes in the Group's property, plant and equipment break down as follows:

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
<b>Net amount at opening</b>	<b>9,908</b>	<b>8,628</b>	<b>9,251</b>
Net acquisitions of property, plant and equipment	3,025	4,310	3,475
Net disposals of property, plant and equipment	(85)	(917)	(437)
Net depreciation	(1,785)	(1,830)	(1,726)
Net reclassifications of property, plant and equipment	1	(281)	(1,934)
Corrections to retained amounts	4	4	-
<b>Net amount at closing</b>	<b>11,059</b>	<b>9,908</b>	<b>8,628</b>

Changes in financial assets are as follows:

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
<b>Net amount at opening</b>	<b>4,600</b>	<b>14,233</b>	<b>13,007</b>
Investment securities			-
Related receivables			
Long-term investment securities	0	0	11
Loans	2,705	(8,837)	2,198
Deposits and guarantees paid	(33)	38	20
Changes in the scope of consolidation	-	-	20
Impairment of investment securities			-
Impairment of related receivables	1,858	(835)	(1,023)
<b>Net amount at closing</b>	<b>9,130</b>	<b>4,600</b>	<b>14,233</b>

Over the 2020 financial year, the €8,780 thousand increase in other fixed assets corresponds to a loan to HOF. A portion of this receivable (€5,520 thousand) is due on 31 December 2021.

### Current assets

The amounts of the main items of current assets changed as follows during the financial years ended 31 December 2020, 2019 and 2018.

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Inventories	6,317	6,634	6,184
Trade receivables	8,008	7,126	8,565
State – Income taxes & other	2,679	2,792	2,952
State – Deferred tax assets	1,052	1,419	1,226
Other receivables	1,690	1,368	639
Cash and investment securities	2,570	1,327	4,550
Other items	269	242	282
<b>Total current assets</b>	<b>22,584</b>	<b>20,909</b>	<b>24,398</b>

The item “French State – income tax” mainly includes “Research and Innovation Tax Credits”. The Group annually submits 4 Research Tax Credit (CIR) files (for Berkem Développement, Adkalis, Lixol and Berkem SAS). Berkem Développement's 2016 CIR is the only one to be challenged by the Administration for €170 thousand. In the following years, Berkem Développement's CIR was validated and paid. In 2018, Berkem SAS had an accounting audit for 2015 and 2016 by the DGFIP (French

Directorate General of Public Finance) which did not result in any adjustment. It is specified that Berkem SAS's CIR files have been sent to the Ministry of Research for validation. Lixol also had an accounting audit by the DGFIP in 2017. No comment was made regarding the CIR.

Inventories consist of raw materials and other supplies and finished goods. The gross value of raw materials and other supplies includes the purchase price and ancillary costs.

Finished goods are valued at industrial cost price, i.e. at production cost including:

- consumption as well as direct and indirect production costs;
- depreciation of assets used in production;
- to which a structure coefficient is applied *in fine*.

The change in the net value of inventories is as follows:

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Raw materials and supplies	1,656	1,522	1,595
Intermediate and finished goods	4,660	5,112	4,589
<b>Total inventories</b>	<b>6,317</b>	<b>6,634</b>	<b>6,184</b>

Trade receivables are recognised at their nominal value. An impairment provision is recognised when, at stock-taking, a risk of non-recovery exists. These provisions amounted to €365 thousand for the financial year ended 31 December 2020, €435 thousand for the financial year ended 31 December 2019 and €362 thousand for the financial year ended 31 December 2018.

Cash and marketable securities for the financial years ended 31 December 2020, 2019 and 2018 represented: €2,570 thousand, €1,327 thousand and €4,550 thousand, respectively. With regard to these amounts and taking into account the short-term debt shown on the liabilities side of the balance sheet, the net cash for the financial years ended 31 December 2020, 2019 and 2018 respectively represented: €2,376 thousand, €879 thousand and €4,484 thousand.

### Equity

The amount of equity attributable to owners of the parent changed as follows during the financial years ended 31 December 2020, 2019 and 2018.

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Capital	2,105	2,055	2,055
Additional paid-in capital	2,487	2,487	2,487
Legal reserve	206	206	206
Other reserves	(6,863)	(8,156)	3,523
Retained earnings	-	(3)	(3)
Profit for the year	1,441	297	770
<b>Shareholders' equity attributable to owners of the parent</b>	<b>(624)</b>	<b>(3,115)</b>	<b>9,038</b>

### Provisions for liabilities and charges

Provisions for liabilities and charges changed as follows during the financial years ended 31 December 2020, 2019 and 2018.

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Provisions for liabilities	50	50	50
Provisions for charges	1,107	1,001	998
Goodwill – Liabilities	-	15	74
<b>Provisions for liabilities and charges</b>	<b>1,157</b>	<b>1,066</b>	<b>1,122</b>

Provisions for expenses consist notably of provisions for pensions and retirement plans.

### Financial liabilities

The financial year ended 31 December 2018 was marked in particular by the restructuring of senior debt and bonds:

- full redemption of bonds convertible into shares and bonds with warrants for a total amount of €19,425 thousand with ID INVEST and SIPAREX;
- repayment of the senior bank debt in the amount of €6,446 thousand to Crédit Agricole d'Aquitaine, Banque Populaire Aquitaine Centre Atlantique and Caisse d'Epargne Aquitaine Poitou Charentes.

A new senior bank debt was set up for an amount of €17,000 thousand associated with a revolving credit facility of €3,000 thousand. This 7-year debt was subscribed with Crédit Agricole d'Aquitaine, Banque Populaire Aquitaine Centre Atlantique and Caisse d'Epargne Aquitaine Poitou Charentes. The maturity of all of these liabilities is seven years.

A new convertible bond for an amount of €13,167 thousand was subscribed by the NOVI 2 fund (including non-conversion premium).

The financial year ended 31 December 2019 was marked:

- by the drawdown of a second tranche of the NOVI 2 convertible bond for an amount of €2,060 thousand. The balance of the increase in bond debts is linked to the recognition of capitalised interest; and
- the repayment of bank debt for a total amount of €1,857 thousand.

The financial year ended 31 December 2020 was marked in particular by the receipt of State-Guaranteed Loans (SGLs) and an *Atout* loan for a total amount of €3,200 thousand, as well as the signing of a finance lease for €615 thousand.

At 31 December 2020, the breakdown of financial liabilities was as follows:

<b>In thousands of euros</b>	<b>At 31 December 2020</b>	<b>&lt; 1 year</b>	<b>From 1 to 5 years</b>	<b>&gt; 5 years</b>
Senior bank loans	22,489	16,594	5,502	392
NOVI 2 convertible bond	16,945	16,945	-	-
Other financial liabilities from credit institutions	2,105	530	1,575	-

Accrued interest on borrowings	857	857	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	42,396	34,926	7,077	392

The breakdown of financial liabilities presented in the table above is in line with the repayment schedules as defined at the time of issuance. This presentation was adopted because of the non-compliance with certain covenants. However, the banks accepted the requests for waivers filed by the Company.

To date, the Group has never failed to meet its repayment obligations at maturity and has never been in one of the situations covered by the early repayment clauses for which it has not obtained waivers from its banking institutions and Idinvest Partners. The Group has historically obtained the following waivers:

- October 2019:
  - o non-compliance with financial ratios at 31 December 2018
  - o non-application of the excess cash flow clause for the 2018 financial year
  - o authorisation to distribute dividends to partners
- April 2020:
  - o authorisation to take out a State-Guaranteed Loan in the context of Covid-19
  - o 50% reduction in the capital payment of Tranche A of the senior debt in 2020 (paid on 18 October each year). The balance being spread equally over the five remaining payments
- October 2020:
  - o decrease in the amount of the clean down from €3 million to €1 million during the 2020 period (from 1 to 30 November 2020)
- January 2021:
  - o non-compliance with the financial ratios for the financial year ended 31/12/2019, authorisations prior to the Company's IPO, release of the T&G pledges
- March 2021:
  - o non-compliance with financial ratios for the financial year ended 31 December 2020
- October 2021:
  - o extension of the lenders' agreement on pre-IPO authorisations
  - o shifting of the period during which the outstanding amount of the revolving credit must be zero (the “clean down” period) from November 2021 to December 2021.



### Non-financial liabilities

Non-financial liabilities break down as follows:

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Trade payables	4,307	5,020	5,105
Liabilities on acquisitions of current assets	198	-	0
Customers – advances and down payments received	10	50	7
Social security payables	2,141	1,831	1,772
Tax liabilities (excluding income tax)	510	256	494
State – Income taxes	-	53	-
Current accounts in debit	284	377	410
Other current liabilities	5,018	4,377	4,419
<i>of which receivables transferred to the factor</i>	<i>4,564</i>	<i>3,561</i>	<i>3,969</i>
<b>Total non-financial liabilities</b>	<b>12,466</b>	<b>11,964</b>	<b>12,209</b>

#### 7.8.2 Consolidated balance sheet at 30 June 2021.

The position at 30 June 2021 corresponds to the first consolidated financial statements of Groupe Berkem. For this reason, there is no comparison with a previous closing.

### Fixed assets

<i>In thousands of euros</i>	<b>30/06/2021</b>
Intangible assets	50,126
Property, plant and equipment	11,163
Financial assets	263
<b>Total fixed assets</b>	<b>61,553</b>

Intangible assets consist of development costs, software, patents, business assets and goodwill.

<i>In thousands of euros</i>	<b>30/06/2021</b>
Goodwill and business assets	44,525
Concessions, patents and similar	4,170
Research & Development costs	1,293
Assets in progress	137

On 8 March 2021, HOF contributed 81% of Berkem Développement shares to Groupe Berkem. The valuation of the contribution at the carrying amount of €29 million was validated in the contribution auditor's report according to two valuation methods (multiple of EBITDA and discounted cash flow forecasts). This contribution occurred along with the simultaneous acquisition of 12.2% of the Berkem Développement shares held by HOF. The acquisition price of these additional securities was agreed upon receipt of an external offer received by HOF from an investment fund. This transaction generated goodwill of €42,615 thousand.

The Group's net property, plant and equipment breaks down as follows:

<i>In thousands of euros</i>	<b>30/06/2021</b>
Land	817
Buildings	4,717
Technical facilities, machinery and equipment	2,273
Other property, plant and equipment	901
Equipment under finance leases	1,789
Assets under construction/Advances & prepayments	669

Property, plant and equipment are recognised at their historical acquisition value or their production cost. Depreciation and amortisation are calculated on a straight-line basis over the normal period of use of the goods. It should be noted that property, plant and equipment (i) of a structural nature is depreciated over periods ranging from 10 to 40 years, and (ii) major fixtures and fittings over periods ranging from four to 30 years.

Changes in the Group's property, plant and equipment break down as follows:

<i>In thousands of euros</i>	<b>30/06/2021</b>
<b>Net amount at opening</b>	<b>0</b>
Net acquisitions of property, plant and equipment	684
Net disposals of property, plant and equipment	(1)
Net depreciation	(614)
Net reclassifications of property, plant and equipment	
Changes in the scope of consolidation	11,095
<b>Net amount at closing</b>	<b>11,163</b>

Changes in financial assets are as follows:

<i>In thousands of euros</i>	<b>30/06/2021</b>
<b>Net amount at opening</b>	<b>0</b>
Investment securities	
Related receivables	
Long-term investment securities	24
Loans	
Deposits and guarantees paid	
Changes in the scope of consolidation	239
Impairment of investment securities	
Impairment of related receivables	
<b>Net amount at closing</b>	<b>263</b>

### *Current assets*

The amounts of the main current asset items break down as follows.

<i>In thousands of euros</i>	<b>30/06/2021</b>
Inventories	6,941
Trade receivables	4,942
Other receivables	6,261
Cash and investment securities	5,147
<b>Total current assets</b>	<b>23,291</b>

Inventories consist of raw materials and other supplies and finished goods. The gross value of raw materials and other supplies includes the purchase price and ancillary costs.

Finished goods are valued at industrial cost price, i.e. at production cost including:

- consumption as well as direct and indirect production costs;
- depreciation of assets used in production;
- to which a structure coefficient is applied *in fine*.

The change in the net value of inventories is as follows:

<i>In thousands of euros</i>	<b>30/06/2021</b>
Raw materials and supplies	2,152
Intermediate and finished goods	4,789
<b>Total inventories</b>	<b>6,941</b>

Trade receivables are recognised at their nominal value. An impairment provision is recognised when, at stock-taking, a risk of non-recovery exists. These provisions amounted to €361 thousand at 30 June 2021.

Cash and marketable securities amounted to €5,147 thousand at 30 June 2021.

### Equity

Shareholders' equity attributable to owners of the parent is as follows at 30 June 2021:

<i>In thousands of euros</i>	<b>30/06/2021</b>
Capital	29,173
Reserves	0
Group net income	806
<b>Shareholders' equity attributable to owners of the parent</b>	<b>29,979</b>

### Provisions for liabilities and charges

Provisions for liabilities and charges are as follows at 30 June 2021:

<i>In thousands of euros</i>	<b>30/06/2021</b>
Provisions for liabilities	94
Provisions for charges	1,120
<b>Provisions for liabilities and charges</b>	<b>1,214</b>

Provisions for expenses consist notably of provisions for pensions and retirement plans.

### Financial liabilities

At 30 June 2021, the breakdown of financial liabilities was as follows:

<b>In thousands of euros</b>	<b>At 30 June 2021</b>	<b>&lt; 1 year</b>	<b>From 1 to 5 years</b>	<b>&gt; 5 years</b>
Loans from credit institutions	23,608	4,691	17,804	1,112

NOVI 2 convertible bond	17,744		17,744	
Finance lease borrowing	2,059	582	1,349	127
Other borrowings and related debts	925	925		
Cash liabilities	146	146		
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>44,481</b>	<b>6,344</b>	<b>36,898</b>	<b>1,239</b>

### 7.9 Third-quarter turnover for 2021 and 2020

For the nine months ended 30 September 2021, the Group's *pro forma* turnover amounted to €36.2 million compared to a combined revenue of €30.3 million for the same period in 2020, an increase of 19.4%. During the three months ended 30 September 2021, the Group's turnover was €11.1 million compared to combined turnover of €10.4 million for the three months ended the 30 September 2020, an increase of 6%. Excluding Lixol's activity, impacted by the temporary closure of its reactor workshop for repairs following the incident described in Section 10.1 of the Registration Document, turnover from the Group's other activities increased by 16.7% in the third quarter and by 23.5% for the nine months ended 30 September 2021.

The increase in revenue for the third quarter reflects in particular:

- An increase in the Plant Extraction division's turnover compared to the third quarter of 2020. This increase, slightly less in percentage terms compared to the first half, is mainly due to an increase in turnover generated by sales to the cosmetics industry (due to the ramp-up of new product lines for new customers) and nutritional supplements (due to a recovery of the Chinese and American markets);
- A modest increase in the Formulation division's turnover compared to the third quarter of 2020. This increase in the Formulation division's turnover, weaker in percentage terms compared to the first half of 2021 (mainly due to the Lixol incident described below), is due in particular to an increase in turnover generated by products intended for the construction and pest control markets, driven in particular by:
  - the ramp-up of bio-sourced product lines;
  - the roll-out of marketing authorisations internationally;
  - weak supply of competing products on the market; and
  - capacity investments made in 2019 and 2020.

In general, the Formulation division's turnover growth observed in the third quarter of 2021 compared to the third quarter of 2020 is a good performance, given the context, taking into account:

- the Lixol incident at the end of June; and
- the fact that the third quarter of 2020 had been boosted from the positive impact (catch-up effect) from the end of the Covid crisis.

In fact, the increase in construction and pest control turnover was partially offset by a significant decrease in coatings turnover following the incident at Lixol at the end of June 2021. After this incident, to enable Lixol to continue to deliver portion of its order book to its customers, the Group quickly subcontracted part of its production for a limited number of Lixol product references from July 2021. However, due to the production disruption caused by the incident, volumes delivered in the third quarter of 2021 were down compared to the third quarter of 2020, despite strong demand, in particular for bio-sourced products, and a decrease is also expected in the fourth quarter of 2021. Lixol's contribution to

the Group's turnover dropped 47.1% to €920 thousand in the third quarter of 2021 compared with €1,741 thousand in the third quarter of 2020.

## 8. CASH AND CAPITAL

The comments on shareholders' equity, liquidity, sources of financing and cash flows presented in this section of the Registration Document are made on the basis of the Group's financial information prepared in accordance with French accounting standards and should be read together with the consolidated and combined financial information presented in section 18 of the Registration Document.

For the 2020 financial year, the Company posted a rate of return on capital employed (ROCE)<sup>61</sup> of 18.4%. Over the same period, the cash conversion rate was 62%<sup>62</sup>.

### 8.1 General overview

The Group's main financing requirements include working capital requirements, capital expenditure, dividend payments and loan repayments. The Group mainly covers its needs with cash generated by operating activities, bonds and loans from credit institutions.

### 8.2 Information on the Group's capital, liquidity and sources of financing

#### Group net financial debt

The Group's combined financial statements show the following amounts of net financial debt:

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<sup>61</sup> ROCE is calculated as follows: Operating income (EBIT)/Average capital employed. The table below summarises the calculation of ROCE for 2020 and the LTM at 30 June 2021.

	<b>FY 2020</b>	<b>LTM (1) 30 June 2021</b>
<i>(in thousands of euros)</i>		
Operating income (EBIT)	4,851	5,990
<i>Total assets</i>	<i>51,489</i>	<i>84,844</i>
<i>Financial assets</i>	<i>(9,131)</i>	<i>(263)</i>
<i>Goodwill</i>	<i>(6,710)</i>	<i>(42,615)</i>
<i>Non-financial liabilities</i>	<i>(12,466)</i>	<i>(10,384)</i>
Capital employed (end of period)	23,182	31,582
Capital employed (average) (1)	22,370	34,637
<b>ROCE = EBIT/AVERAGE CAPITAL EMPLOYED</b>	<b>21.7%</b>	<b>17.3%</b>

(1) LTM = last twelve months.

(2) Average capital employed for period n = ((capital employed at end of period n + capital employed at end of period n-1) / 2).

<sup>62</sup> The cash conversion rate is calculated as follows: (Gross operating profit - CAPEX)/Gross operating profit

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Bonds	16,945	16,166	13,167
Loans from credit institutions	22,489	19,727	22,547
Loans from credit institutions – Finance leases	2,099	1,603	775
Other borrowings and similar non-current liabilities	6	12	18
Accrued interest on borrowings	857	79	293
<b>Total financial liabilities</b>	<b>42,396</b>	<b>37,586</b>	<b>36,801</b>
Net cash	2,377	879	4,485
<b>Net financial debt</b>	<b>40,019</b>	<b>36,707</b>	<b>32,316</b>

**The consolidated financial statements at 30 June 2021 show the following net financial debt:**

<i>In thousands of euros</i>	<b>30/06/2021</b>
Bonds	17,744
Loans from credit institutions	23,608
Loans from credit institutions – Finance leases	2,059
Other borrowings and similar non-current liabilities	925
<b>Total financial liabilities</b>	<b>44,336</b>
Net cash	5,001
<b>Net financial debt</b>	<b>39,335</b>

### **Equity financing**

The Group's subsidiaries, BERKEM DÉVELOPPEMENT and BERKEM, were financed by capital increases in the form of shares with priority dividends issued in 2015 (ADP) for a gross amount of €2,603,076 for BERKEM DÉVELOPPEMENT and for a gross amount of €1,531,990 for BERKEM from subscribers who are natural persons. These ADPs are accompanied by undertakings to sell from the subscribers. In the event of its IPO, Groupe Berkem will exercise the options to acquire said ADPs (refer to section 19.1.6 of the Registration Document).

### **Financing by bank debt**

The Group's current bank debt was mainly set up in 2018 for a total initial amount of €20,000 thousand in the form of a syndicated loan and a revolving credit facility.

The Group's bank debt is at variable rates, the conditions of which are notably the following (refer to section 3.6.2 of the Registration Document):

- a tranche A in the amount of €11,842,857 with an interest rate of 3-month EURIBOR + a margin of between 1.50% and 2% depending on the Group's Leverage Ratio;



- a tranche B in the amount of €4,000,000 with an interest rate of 3-month<sup>2</sup> EURIBOR + a margin of between 2% and 2.50% depending on the Group's Leverage Ratio;
- a revolving credit facility in the amount of €3,000,000 with an interest rate of 3-month EURIBOR +1.75%;

This bank debt made it possible to refinance the bonds with warrants (OBSA) and part of the convertible bonds (CB) held by Siparex and Idinvest and to refinance the existing bank debt set up in 2015.

The debts related to the Group's senior credit agreements include certain standard clauses in terms of early repayment (partial or total), in particular in the event of a change of control of HOF SARL (majority shareholder of the Group) or Berkem Développement, the disposal of fixed assets, the collection of insurance indemnities, default on a payment at maturity, cross-default, insolvency proceedings of a Group entity, cessation or suspension of activity, refusal of the Statutory Auditors to certify the consolidated financial statements of Berkem Développement or Berkem Développement's parent company financial statements or of one of its subsidiaries or sub-subsidiaries, etc.

In addition to these standard early repayment clauses, the credit agreements require compliance with the following covenants (compliance with these agreements is reviewed on 31 December of each year only):

<b>Compliance with financial ratios for the senior bank loans</b>	
Leverage ratio = Consolidated net financial debt/consolidated EBITDA At 31 December 2020 At 31 December 2021 and at the close of the following financial years	Leverage ratio less than or equal to: 2.50x 2.00x
Debt service coverage ratio = Consolidated free cash flow divided by consolidated financial debt service	At each test date the Debt service coverage ratio must be equal to or higher than 1.10x

In the event that one of these situations should occur, all or part of the sums due in principal, interest, costs and incidentals in respect of the senior bank loans and convertible bond would immediately become payable. As a result, the Group would be exposed to a liquidity risk resulting from the implementation of the early redemption clauses of its bank loans and convertible bond.

To date, the Group has never failed to meet its repayment obligations at maturity and has never been in one of the situations covered by the early repayment clauses for which it has not obtained waivers from its banking institutions. The Group has historically obtained the following waivers:

- October 2019:
  - non-compliance with financial ratios at 31 December 2018
  - non-application of the excess cash flow clause for the financial year 2018
  - authorisation to distribute dividends to partners
- April 2020:
  - authorisation to take out a State-Guaranteed Loan in the context of Covid-19
  - 50% reduction in the capital payment of Tranche A of the senior debt in 2020 (paid on 18 October each year). The balance being spread equally over the five remaining payments
- October 2020:

- decrease in the amount of the clean down from €3 million to €1 million during the 2020 period (from 1 to 30 November 2020)
- January 2021:
  - non-compliance with the financial ratios for the financial year ended 31 December 2019, authorisations prior to the Company's IPO, release of the T&G pledges
- March 2021:
  - non-compliance with financial ratios for the financial year ended 31 December 2020
- October 2021:
  - extension of the lenders' agreement on pre-IPO authorisations
  - shifting of the period during which the outstanding amount of the revolving credit must be zero (the “clean down” period) from November 2021 to December 2021.

In order to partially hedge these outstanding variable-rate debts, Berkem Développement entered into two interest rate hedging operations in October 2018:

- a swap agreement with Natixis for a notional amount of €3,366,000 (amortisable) swapping 3-month EURIBOR for a fixed rate of 0.38750% *per annum* over the period from 16 October 2018 to 16 October 2022;
- a swap agreement with Natixis for a notional amount of €2,754,000 (amortisable) swapping 3-month EURIBOR for a fixed rate of 0.38750% *per annum* over the period from 16 October 2018 to 16 October 2022;
- a swap agreement with Crédit Agricole Mutuel d'Aquitaine for a notional amount of €4,080,000 (amortisable) swapping 3-month EURIBOR for a fixed rate of 0.415% *per annum* for the period from 16 October 2018 to 16 October 2022.

At 30 June 2021, the notional amounts of the swaps entered into with Natixis and Crédit Agricole Mutuel d'Aquitaine were respectively €4,783 thousand and €3,189 thousand.

Finance leases taken out by the Group finance:

- the Group's company vehicle fleet,
- heavy industrial equipment at industrial sites: reactors, cooling tower in La Teste (Lixol), pulsed column in Gardonne (Berkem SAS), freeze-dryers in Chartres (Eurolyo).

Lastly, during the 2020 financial year, the Group set up State-Guaranteed Loans (SGLs) and an *Atout* loan with BPI for a total amount of €3,200 thousand. The amounts of these loans are as follows:

- SGL of €500 thousand for Lixol;
- SGL of €1,100 thousand for Berkem SAS;
- SGL of €600 thousand for Adkalis;
- SGL of €500 thousand for Berkem Développement;
- *Atout* loan of €500 thousand for Berkem Développement.

### Convertible bond financing

The Group's current bond convertible into shares was subscribed in two tranches (2018 and 2019) for a total initial amount of €14,600 thousand. This bond was set up as part of the restructuring of the Group's debt in 2018 and under which a convertible bond previously subscribed for €17,000 thousand in 2017 was redeemed.

The main terms of the Group's bonds convertible into shares (OCAs) are as follows:

<b>Characteristics of OCAs</b>	
Number of OCAs issued	146
Number of OCAs outstanding at the date of approval of the Registration Document	146
Issue price/Par value per OCA	€100,000
Nominal amount of OCAs	€14,600,000
OCA maturity date	16 April 2026
Annual interest rate paid (payable semi-annually)	6-month EURIBOR +5% <sup>(1)</sup>
Capitalised annual interest rate	5.00% <i>per annum</i>
Non-conversion premium	2.50% of the nominal value of OCAs (excluding capitalised interest)
Number of Berkem Développement shares on conversion of OCAs	9,725,781
Rank	OCAs subordinated to the senior syndicated loan

<sup>(1)</sup> If the 6-month Euribor is less than zero (0), it will be deemed equal to zero (0) – Half-yearly coupon payments on 30 June and 31 December.

In the event of the Group's IPO, all bonds convertible into shares will be redeemed to the NOVI 2 fund.

The debts related to the bonds convertible into shares issued by Berkem Développement and subscribed by the NOVI 2 fund managed by Idinvest Partners include certain standard clauses in terms of early repayment (partial or total), in particular in the event of a change of control of HOF SARL (majority shareholder of the Group) or Berkem Développement, the disposal of fixed assets, the collection of insurance indemnities, default on a payment at maturity, cross-default, insolvency proceedings of a Group entity, cessation or suspension of activity, refusal of the Statutory Auditors to certify the consolidated financial statements of Berkem Développement or Berkem Développement's parent company financial statements or of one of its subsidiaries or sub-subsidiaries, etc.

In addition to these usual early repayment clauses, the agreements for bonds convertible into shares subscribed by the NOVI 2 fund managed by Idinvest Partners require compliance with the following covenants:

<b>Compliance with financial ratios for the convertible bond</b>	
Debt coverage ratio = Consolidated net cash flow divided by consolidated financial debt service	At each test date the Debt coverage ratio must be higher than 1.00x
Net financial debt ratio = Consolidated net mezzanine debt/consolidated EBITDA At 31 December 2020 and at the close of the following financial years	Net financial debt ratio less than or equal to: 4.00x
Senior net financial debt ratio = Consolidated net senior debt/consolidated EBITDA At 31 December 2020 At 31 December 2021 and at the close of the following financial years	Net senior financial debt ratio less than or equal to: 2.50x 2x

In the event that one of these situations occurs, all or part of the sums due in principal, interest, costs and accessories in respect of the convertible bond will become immediately payable. Consequently, the Group would be exposed to a liquidity risk resulting from the implementation of the early redemption clauses of its convertible bond.

#### **Funding through grants and research tax credits**

The Group does not activate grants receivable from the CIR (research tax credit) and CII (innovation tax credit).

### **8.3 Cash flow**

The summary cash flow statement as shown in the combined financial statements for the financial years ended 31 December 2020, 2019 and 2018 is as follows:

<i>In thousands of euros</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Total net income of consolidated companies	1,462	285	782
Cash flow	6,118	2,681	2,837
Change in working capital requirement	(154)	(4,183)	(2,231)
<b>Net cash flow from operations</b>	<b>5,964</b>	<b>(1,502)</b>	<b>607</b>
<b>Net cash flow from investments</b>	<b>(3,833)</b>	<b>(5,274)</b>	<b>(2,616)</b>
<b>Net cash flow from financing activities</b>	<b>(632)</b>	<b>3,170</b>	<b>2,591</b>
<b>Change in cash flows</b>	<b>1,498</b>	<b>(3,606)</b>	<b>581</b>
Cash at opening	879	4,485	3,904
Cash at closing	2,377	879	4,485

The summary cash flow statement as shown in the interim financial statements for the four months ended 30 June 2021 is as follows:

<i>In thousands of euros</i>	<b>30/06/2021</b>
Total net income of consolidated companies	884
Cash flow	1,696
Change in working capital requirement	(378)
<b>Net cash flow from operations</b>	<b>1,319</b>
<b>Net cash flow from investments</b>	<b>3,685</b>
<b>Net cash flow from financing activities</b>	<b>(3)</b>
<b>Change in cash flows</b>	<b>5,001</b>
Cash at opening	0
Cash at closing	5,001

### 8.3.1 Net cash flow from operations

Net cash flow from operations amounted to €5,964 thousand, -€1,502 thousand and €607 thousand in 2020, 2019 and 2018 and €1,319 thousand for the four months ended 30 June 2021.. Structurally, the activity generates a working capital requirement corresponding to between 2.5 and 3 months of turnover excluding taxes. Inventories generally represent between two and three months of turnover excluding tax depending on the period. This meets a need to:

- optimise production site workload plans;
- optimise PRI by making larger production batches;
- never run out of stocks of finished goods for the Group's customers;
- be able to free up time slots to carry out maintenance and new work on production sites.

The Company's working capital requirements are financed by a factoring agreement with no limit on the amount, and by a confirmed revolving credit facility of €3 million with the senior banking pool.

### 8.3.2 Net cash flow from investing activities

Net cash flow from investing activities consumed net amounts of €3,833 thousand, €5,274 thousand and €2,616 thousand in 2020, 2019 and 2018 respectively. The investments are mainly financed by the use of new bank loans (conventional loans and leases), as well as cash flow from operations (between €0.5 million and €1 million per year).

R&D investments leading to the creation of intangible assets (patents, marketing authorisations, etc.) are financed directly from the Company's operating cash flow.

### 8.3.3 Net cash flow from financing activities

Net cash flow from financing activities provided a net amount of €3,170 thousand and €2,591 thousand in 2019 and 2018, respectively. By contrast, this flow was negative at €632 thousand for the financial year ended on 31 December 2020. A significant portion of the cash flow (> €1 million) is for the moment still allocated to interest payments on the convertible bonds.

## 8.4 Financing requirements and financing structure of the issuer

### Financing structure:

At 30 June 2021, the financing structure is as follows:

- shareholders' equity of €29,979 thousand,
- net financial debt of €39,335 thousand (taking into account free cash and marketable securities in the amount of €5,147 thousand).

**Financing conditions:**

The conditions of the bank loans and bonds subscribed by the Group are as follows:

- amortisable Tranche A senior credit agreement: EUR 3M floored at 0% + 2% *per annum*;
- Tranche B senior credit agreement *in fine*: EUR 3M floored at 0% + 2.5% *per annum*;
- Revolving Credit senior credit agreement: EUR 3M floored at 0% + 2% *per annum*;
- CB agreement: EUR 3M floored at 0% + 10% (5% paid and 5% capitalised).

**8.5 Restriction on use of capital**

To date, the only constraints that exist are related to the senior credit agreement and the CB agreement. There are therefore annual investment constraints and mandatory early repayment in the event of excess annual cash flow or dividend distribution.

**8.6 Sources of funding needed in the future to meet investment commitments**

The contracts currently available to the Group that finance the working capital requirements are firm and secured over time. The revolving credit facility is confirmed until 2025. If external growth transactions are to be carried out, they will be included in the financing plan discussed with the banks.

## 9. REGULATORY ENVIRONMENT

As an industrial group manufacturing chemicals, the Group must meet French regulatory requirements for its production sites; and, more broadly, in the countries where it markets its products.

The main regulations are as follows:

### ICPE regulations

ICPE stands for Installations Classified for the Protection of the Environment. Within the Group, only the Gardonne site is classified as ICPE. The ICPE regulation aims to manage industrial and agricultural risks in order to protect the environment and health. As such, this regulation regulates pollutant emissions from activities and provides for risk management tools. It is one of the most important and most successful regulations in the Environment Code. Broadly speaking, the sites classified as ICPE use substances presenting particular risks to the environment and/or health. The scope of ICPE sites is very extensive. It includes facilities from logistics warehouses to dry cleaners, as well as large-scale industrial and agricultural activities.

The ICPE nomenclature makes it possible to determine whether an activity is concerned by this regulation. This nomenclature is a table that classifies the activities and substances requiring the application of the ICPE regulation. The nomenclature is divided into four categories:

- substances;
- activities;
- activities covered by the Industrial Emissions Directive, known as “IED”;
- dangerous substances and compounds covered by the “SEVESO III” major accidents directive.

These four ICPE categories are divided into headings, identified by four figures. Depending on the activities and substances used, a site is classified under one or other heading. In practice, large industrial and agricultural sites are usually classified under several headings.

For example:

- ICPE 2910 concerns combustion activities;
- ICPE 2925 concerns electrical storage facilities;
- ICPE 1530 concerns storage facilities for combustible materials.

The headings of the nomenclature are subdivided according to certain thresholds (volumes and quantities in particular).

Depending on these thresholds, the site may be subject to one of three classification systems:

- authorisation (A)
- registration (E)
- declaration (D)

Authorisation is the strictest regime. These are facilities that present serious dangers or shortcomings. SEVESO ICPEs fall into this category. Registration is the simplified authorisation regime. These are installations that present serious dangers or shortcomings, but where these dangers or shortcomings can be prevented by compliance with general regulations. Declaration is the least restrictive regime. These installations do not present serious dangers or shortcomings but must nevertheless comply with general regulations.

Generally, control of the compliance of the facilities in scope is the responsibility of the Regional Directorate for the Environment, Planning and Housing (DREAL). This is a French State department under the authority of the regional prefect.

There are a number of specific authorities:

- DEAL in the French Overseas Departments and Collectivities (Environment, Planning and Housing Directorates);
- DIEE in Île-de-France (Regional and Inter-Departmental Environment and Energy Directorate);
- DDPP for agricultural facilities (Departmental Directorates for Social Cohesion and Population Protection).

Environmental inspectors control the ICPEs. The inspection department can also be responsible for the inspection of classified installations. Inspections can be unannounced or scheduled. The reference regulatory texts are as follows:

- Definition of ICPE: Article L. 511-1 of the French Environment Code;
- ICPE nomenclature: Article R. 511-9 of the French Environment Code;
- Administrative penalties: Article L. 178-1 of the French Environment Code;
- Criminal sanctions: Article L. 173-1 of the French Environment Code;
- Classified facilities database: the *Géorisque* website dedicated to ICPEs;
- Classification schemes:
  - o Authorisation: Articles L. 181-1 *et seq.*, Articles L. 512-1, -5 and 6-1, Articles L. 515-8 *et seq.* of the French Environment Code;
  - o Registration: Articles L. 512-7 *et seq.* of the French Environment Code;
  - o Declaration: Articles L. 512-8 *et seq.* of the French Environment Code.

### REACH regulation

The REACH Regulation (EU) No. 1907/2006, which entered into force on 1 June 2007, aims to secure the manufacture and use of chemical substances in European industry. The objectives of the REACH Regulation are as follows:

- protect human health and the environment from the potential risks of chemical substances;
- establish identical and transparent information on the nature and risks of substances, as such or in a compound, from the supplier to the end customer;
- ensure safe handling of chemical substances by employees;
- strengthen the competitiveness of industry, in particular the chemical industry, a key sector of the European economy.

This applies to all substances, including natural substances, organic substances and metals: substances used in industrial processes and substances found in compounds, such as in cleaning products and paints; substances contained in items such as textiles, furniture, IT equipment or electronic components.

In order to list all these substances and manage their risks, companies must now register the chemical substances manufactured or imported into the European Union if these substances represent, on their own or in a compound, a quantity greater than one tonne per year. For companies, this registration consists of compiling files containing information on the physicochemical, toxicological and ecotoxicological properties of substances, an assessment of the risks to health and the environment (depending on the uses of these substances throughout their life cycle) and appropriate management measures.

To date, two files for substances manufactured and marketed by the Group have been examined, validated and registered by the European Chemicals Agency (ECHA):

- Esterification products of Grape seeds, *Vitis vinifera L.* (Vitaceae), extract with hexadecanoyl chloride (No. EC 941-319-3), registration number 01-2120774698-32-000, published by the European Chemicals Agency (ECHA) on 9 July 2018;
- Palmitoyl grapevine shoot extract (No. EC 284-511-6), registration number 01-2120835272-60-0000, published by the European Chemicals Agency (ECHA) on 18 February 2020.



### CLP Regulation

The CLP Regulation entered into force on 1 June 2015 for compounds (EC) No. 1272/2008 and published on 31 December 2008. Regulation (EC) No. 1272/2008 aligns the former EU legislation with the GHS (Globally Harmonised System of Classification and Labelling of Chemicals), a system set up by the United Nations to identify dangerous chemical products and inform users of these dangers. It is also linked to the REACH Regulation.

The CLP Regulation amended the Dangerous Substances Directive (67/548/EEC (DSD)), the Dangerous Preparations Directive (1999/45/EC (DPD)) and Regulation (EC) No. 1907/2006 (REACH). Since 1 June 2015, it is the only legislation in force in the EU for the classification and labelling of substances and compounds.

The two European directives Nos. 67/548/EEC (DSD) and 1999/45/EC (DPD) were repealed on 1 June 2015. The CLP regulation introduced the GHS (Globally Harmonised System of Classification and Labelling of Chemicals), which has been adopted by many countries around the world and today serves as a reference in the drafting of national and international regulations relating to the transportation of dangerous goods.

The dangers presented by chemical substances are communicated by means of warning notices and pictograms on the labels, as well as safety data sheets. New pictograms framed in red replace the previous orange danger symbols.



In most cases, suppliers must determine the classification of a substance or compound. This is called self-classification. In some cases, however, the decision on the classification of substances is taken at European Union level in order to ensure appropriate risk management. Member States, manufacturers, importers and downstream users can propose harmonisation of the classification and labelling of a substance throughout the European Union. Information is also available in the C&L (Classification and Labelling) inventory.

These cases generally concern the most dangerous substances: carcinogenic, mutagenic, toxic to reproduction or respiratory sensitisers, biocides or plant protection products. All classifications of substances harmonised under the former legislation (Dangerous Substances Directive) have been converted into harmonised classifications in accordance with the CLP Regulation. It is mandatory for suppliers to implement this harmonisation of classifications and labelling.

The substances and products marketed by Groupe Berkem for this use comply with this regulatory text, and have safety data sheets generated and updated by specific dedicated software (Infodyne).

### Biocidal Products Regulation (BPR)

The EU Biocidal Products Regulation No. 528/2012 was published on 22 May 2012. This regulation on biocidal products, sought by the European Commission, aims to harmonise the market at European Union level by simplifying the marketing authorisation system for active biocidal substances.

The purpose of the Biocidal Products Regulation (replacing the Biocidal Products Directive No. 1998/8/EC (BPD)) is to better control the risks and dangers related to the production and use of biocidal substances in order to improve the level of protection of citizens, workers and the environment.

The main principles of the Biocidal Products Regulation (BPR) are as follows:

- strengthening of risk assessment for the protection of people and the environment;
- Active Substance (AS) review programme led by the European Commission (EC): distribution of assessments between Member States (MS), the ECHA becomes the coordinator;
- European authorisation of active substances;
- national authorisation of biocidal products containing active substances approved at European level;
- for biocidal products: possibility of EU marketing authorisation (MA);
- gradual application: the basic principles of the Biocidal Products Directive (BPD) No. 1998/8/EC remain unchanged;
- outside the transition period, a product may not be placed on the market or used if it has not previously been the subject of a marketing authorisation (national MA);
- transition period with maintenance of existing national regulatory systems;
- data sharing (introduced by the REACH Regulation, letters of access);
- for biocidal products, possibility of mutual recognition in sequence/simultaneously;
- framework for processed items and substances generated *in situ*;
- implementation of substitution and exclusion criteria for active substances;
- new classification of Product Types (PT), with 22 product types according to their use;
- use of the IUCLID and SPC editor IT tools, as well as the R4BP portal for managing substances and products.

Under the Biocidal Products Regulation, Groupe Berkem has filed 143 applications in 23 countries (71 marketing authorisations obtained and 72 market authorisations applications in progress).

### Certibiocide – Certificate for the use and distribution of certain biocidal products

Since 9 October 2013, a “certificate for the professional use and distribution of certain types of biocidal products intended exclusively for professionals”, or certibiocide, has been put in place by the French authorities, in order to allow safer and more effective use of biocidal products and to make the targeted companies responsible (Decree of 9 November 2013 on the conditions for exercising the activity of professional user and distributor of certain types of biocidal products (Publication date: 19 November 2013 and application date: 1 July 2015) and Decree of 30 June 2015 amending the Decree of 9 November 2013 on the conditions for exercising the activity of professional user and distributor of certain types of biocidal products (Publication date: 4 July 2015 and application date: 5 July 2015)).

This is an individual and nominative certificate.

This certificate is issued by the French Ministry for the Ecological and Solidarity Transition.

The certificate concerns all professionals who buy, use or distribute biocidal products belonging to the following types of BPR products:

- PT 2 – disinfectants and algacide products not intended for direct application on humans or animals;
- PT 14 – rodenticides;
- PT 15 – avicides;
- PT 18 – insecticides, acaricides and other products used to control other arthropods;
- PT 20 – control of other vertebrates.

Obtaining a certificate to carry out these activities has been mandatory since 1 July 2015. The certificate is obtained after a three-day training session at an authorised organisation. Training can be reduced to one day for people who already hold a “certiphyto” certificate. The certificate is valid for a maximum of five years. A companies operating as a professional user or distributor must declare itself annually to the Ministry in charge of the environment.

To date, 600 people have already been trained thanks to the support of Groupe Berkem.

#### *The Food Supplements Directive*

Food supplements (as defined by Article 2 of Decree No. 2006-352) are governed by Directive 2002/46/EC of the European Parliament and of the Council of 10 June 2002, applicable since 12 July 2002, on the approximation of Member States' legislation concerning food supplements and transposed into French law by Decree 2006-352.

On the basis of this decree, three important orders were issued:

- Order of 9 May 2006, as amended, relating to the nutrients that may be used in the manufacture of food supplements;
- Order of 24 June 2014 establishing the list of plants, other than fungi, authorised in food supplements and the conditions for their use;
- Order of 26 September 2016 establishing the list of substances for nutritional or physiological purposes authorised in food supplements and the conditions for their use.

The substances proposed by Groupe Berkem for this purpose comply with these regulatory texts.

#### *Cosmetic Products Regulation (EC) No. 1223/2009*

Since 11 July 2013, cosmetic products sold within the European Union must comply with Cosmetic Products Regulation (EC) No. 1223/2009.

The regulatory philosophy in Europe is based on several pillars, notably the concept of Responsible Person, the provision to the authorities of a PID (Product Information Document), the Safety Assessment of the cosmetic product, Notification, free movement and prohibition of animal testing.

All substances proposed by Groupe Berkem for use in cosmetic product formulations comply with these regulatory texts and each has a PID (Product Information Document).

## **10. INFORMATION ON TRENDS**

### **10.1 Main trends since the end of the last financial year**

Since the end of the last financial year on 31 December 2020, the Group has continued its commercial operations as detailed in section 5.2 of the Registration Document.

In 2020, the Group purchased a new 5 m<sup>3</sup> reactor to increase Lixol's production capacity, which had been provided by a single 10 m<sup>3</sup> reactor in operation for several years. On 24 June 2021, an incident occurred at the Lixol site, based in La Teste-de-Buch, involving the newly installed reactor.

A detonation followed by a water vapour leak from a reactor containing an alkyd resin in process was observed. The incident was brought under control in a few minutes by two on-site technicians who followed the relevant procedure: shutting off all energy sources, venting the vapours and carrying out a full site visit. No hazardous materials were released outside the site perimeter and there was no impact on the neighbourhood or the environment. The two technicians were then accompanied to the hospital to ensure their good health. They returned home in the evening without any physical injury.

Following the incident, production using the reactors in Teste-de-Buch was suspended so that the reactors could be fully inspected and repaired. At the date of this document, the reactor is under repair by the Group's service provider and the repair is expected to be covered by insurance. The reopening of the workshop and the return to service of the 10 m<sup>3</sup> reactor is expected before the end of 2021.

To enable Lixol to continue to deliver a portion of its order book to its customers, the Group quickly subcontracted part of its production for a limited number of Lixol product references from July 2021. However, due to the production disruption caused by the incident, volumes delivered in the third quarter of 2021 were down compared to the third quarter of 2020, despite strong demand for bio-sourced products in particular, and a decrease is also expected in the fourth quarter of 2021.

As of the date of this Registration Document, the incident at Lixol has not resulted in loss of customers, but delayed deliveries. To make up for the backlog of deliveries from Lixol, the Group will open its production workshops with reactors in the fourth quarter of 2021 and has a production recovery plan in place. The Group aims to return to its pre-incident production level from the first quarter of 2022. It plans to gradually return the largest reactor to service upon the reopening of the workshop, and the second at the beginning of the second quarter of 2022.

At the same time, the Group is recruiting staff to enable Lixol to meet the increased demand for orders in its markets. The production time is currently in 3x8, and will move to 5x8 from January 2022. The Group has also ordered a third reactor for Lixol that it expects to commission in the summer of 2022.

From a financial point of view, the full consequences of the incident on the financial year 2021 will only be known at the end of the financial year 2021. The Company is already anticipating a decline in Lixol revenue in the second half of 2021 compared to the second half of 2020 due to the disruption in production, as well as a deterioration in its margin, due in particular to the use of subcontractors for deliveries to its customers following the reactor workshop shutdown. The Group was able to benefit from a recovery under its business interruption insurance, which will partially offset the loss.

### **10.2 Known trends, uncertainties, requests for commitments or events reasonably likely to affect the Group's outlook**

#### **10.2.1 Objectives for 2024**

By 2024, the Group aims to generate turnover of at least €65 million on a like-for-like basis. To achieve these objectives, the Group intends to implement its strategy detailed in Section 5.2, namely:

- support its growth by developing commercial relationships with existing customers and winning new customers, in particular by strengthening its sales force to accelerate its international development and roll out its bio-sourced solutions;
- continue to innovate by concentrating its efforts on the search for new active ingredients from plants and developing its portfolio of formulations by finalising the shift from existing products towards bio-sourced solutions and focusing future product development on more environmentally friendly solutions. In addition, Groupe Berkem began marketing its innovative plant-based boosters directly to its customers in 2020;
- rolling out the offering in new markets and new geographical areas.

This target of €65 million in turnover by 2024 could be increased to at least €85 million in the event of external growth transactions. As mentioned in Section 5.2.5 of the Registration Document, the Group's organic growth strategy will target selective mergers and acquisitions, enabling the Group to extend its international presence, expand its client portfolio or even strengthen its existing expertise.

Within the same timeframe, the Group's objective is to achieve an EBITDA margin of around 25%, driven both by the impact of a product mix increasingly focused on bio-sourced solutions and an expansion of its operating profitability as a result of turnover growing at a faster rate than the associated costs. In the event of acquisitions, the Group will aim to bring the potentially acquired companies up to the Group's profitability standard (see Section 5.2.2 "Continuing to increase profitability").

In this context, a strong increase in sales of Lixol is expected thanks to the new product line (and after the return to production of the Lixol reactors) as well as an increase in sales of Adkalis thanks to the recruitment of new sales representatives and the international roll-out.

#### 10.2.2 Receipt of subscription commitments

At the date of the Registration Document and as part of its proposed IPO on Euronext Growth Paris, the Company received subscription commitments from institutional investors for a total amount of €12.8 million, i.e. €12 million from Danske Bank A/S and €0.8 million from DNCA. These subscription commitments will lapse if the Company does not complete the IPO before 31 March 2022. These subscription commitments are expected to be served in full, it being specified that they may nevertheless be reduced in accordance with the standard allocation principles.

The subscription commitments are valid at any price up to a maximum threshold of €10.03 per share, i.e. a valuation of the Company equal to €130,000,000 (prior to the capital increase resulting from the IPO). It is not expected that the upper end of the offer price range (as described in the securities note, including the prospectus summary, which, together with the Registration Document, will constitute the prospectus submitted to the AMF for approval) will be set at a price higher than this price threshold referred to in the subscription commitments received.

## **11. PROFIT FORECASTS OR ESTIMATES**

The Group does not communicate profit forecasts or estimates.

## 12. ADMINISTRATIVE, MANAGEMENT, SUPERVISORY AND GENERAL MANAGEMENT BODIES

### 12.1 Senior executives and Directors

Until 8 March 2021, the Company was incorporated as a simplified joint-stock company (*société par actions simplifiée*) chaired by HOF, represented by Olivier Fahy, the current Chairman and Chief Executive Officer of the Company.

The Company was transformed into a public limited company (*société anonyme*) with a Board of Directors by unanimous consent of the partners, as recorded in a private deed dated 8 March 2021 which approved the transformation of the Company into a public limited company with a Board of Directors and adopted new governance rules.

A summary of the main provisions of the Company's Bylaws that will come into force on the day of the first listing of the shares on the Euronext Growth Paris market and of the rules of procedure of the Board of Directors and the Audit Committee is provided respectively in Sections 19.2 "Articles of Incorporation and Bylaws" and 14.3 "Board of Directors and specialised committees – corporate governance" of the Registration Document.

#### 12.1.1 General Management

On the date of approval of the Registration Document, the General Management is ensured by:

Name	Term of office	Positions in the Company	Main positions outside the Company	Term of office start and end dates
Olivier Fahy	Chief Executive Officer	Chairman and Chief Executive Officer  Director	Refer to section 12.1.3	Appointed Chief Executive Officer by the Board of Directors on 10 March 2021 for a period of four (4) years expiring at the close of the Annual Shareholders' Meeting held in 2025 to approve the financial statements for the financial year ended 31 December 2024

The General Management of the Company will be ensured by a Chairman and Chief Executive Officer (Olivier Fahy), the separation of the positions of Chairman of the Board of Directors and Chief Executive Officer is not envisaged at the date of approval of the Registration Document.

The business address of the Chairman and Chief Executive Officer is the Company's registered office, located at 20, rue Jean Duvert – 33290 Blanquefort – France.

#### 12.1.2 Members of the Board of Directors

At the date of approval of the Registration Document, the Company's Board of Directors is composed as follows:

Name	Term of office	Main positions in the Company	Main positions outside the Company	Term of office start and end dates	Member of the Audit Committee
Olivier Fahy	Director and Chairman of the Board of Directors Chief Executive Officer	Chairman and Chief Executive Officer	Refer to section 12.1.3	Appointed Director by the joint meeting of Partners on 8 March 2021 for a term of four (4) years expiring at the close of the Shareholders' Meeting held in 2025 to approve the financial statements for the financial year ended 31 December 2024, and Chairman and Chief Executive Officer by the Board of Directors on 10 March 2021 for the duration of his term of office as Director	
Stanislas Fahy	Director	None	None	Appointed Director by the joint meeting of Partners on 8 March 2021 for a term of four (4) years expiring at the close of the Shareholders' Meeting held in 2025 to approve the financial statements for the financial year ended 31 December 2024	X
Thierry Lambert	Independent Director	None	Member of the Strategy Committee – Fytexia	Appointed Director by the joint meeting of Partners on 8 March 2021 for a term of four (4) years expiring at the close of the Shareholders' Meeting held in 2025 to approve the financial statements for the financial year ended 31 December 2024	X Chairman of the Audit Committee



Michael Wood	Independent Director	None	Head of Regional Food and Health Safety	Appointed Director by the joint meeting of Partners on 8 March 2021 for a term of four (4) years expiring at the close of the Shareholders' Meeting held in 2025 to approve the financial statements for the financial year ended 31 December 2024	
Alessandro Bascelli	Independent Director	None	None	Appointed Director by the joint meeting of Partners on 8 March 2021 for a term of four (4) years expiring at the close of the Shareholders' Meeting held in 2025 to approve the financial statements for the financial year ended 31 December 2024	

The business address of the Directors is the Company's registered office, located at 20, rue Jean Duvert – 33290 Blanquefort – France.

The expertise and management experience of these people derive from various salaried and management positions that they have previously held (see Section 12.1.4 “Biographies of the members of General Management and the members of the Board of Directors”).

Olivier Fahy is the father of Stanislas Fahy. There are no other family ties between the persons listed above.

To the best of the Company's knowledge, and at the date of approval of the Registration Document, none of these people, in the last five years:

- has been convicted of fraud;
- has been associated in his capacity as an officer or director in a bankruptcy, receivership, liquidation or placement of a company under administration;
- has been deprived by a court of the right to hold office as a member of an administrative, management or supervisory body of an issuer or to intervene in the management or conduct of the affairs of an issuer; or
- has been the subject of a challenge and/or official public sanction imposed by statutory or regulatory authorities (including designated professional bodies).

### 12.1.3 Other corporate offices

#### *Other current directorships*


Name	Nature of office	Company
Olivier Fahy	Partner	HOF (SARL)
	Partner	IEIC Vaulx En Velin (SARL)
	Partner	IEIC Saint Hilaire De Loulay (SARL)
	Partner	Alma (SCI)
Stanislas Fahy	None	None
Thierry Lambert	Member of the Strategy Committee	Fytexia
Michael Wood	None	None
Alessandro Bascelli	None	None

#### *Offices held by Directors during the last five financial years and having now ended*

Name	Nature of office	Company
Olivier Fahy	Partner	LOUIS BLANC (SCI)
	Partner	3F
	Partner	C.M. Affutage
	Partner	L'Estampille
	Partner	Leveque
	Partner	Ouest Vernis Services OVS
	Partner	Technique Revêtement Industriel "TRI"
Stanislas Fahy	None	None
Thierry Lambert	None	None
Michael Wood	None	None
Alessandro Bascelli	None	None


### 12.1.4 Biographies of members of the General Management and members of the Board of Directors

#### **- Olivier Fahy: Chairman of the Board of Directors and Chief Executive Officer**


	<p>After studying at the Paris Chamber of Commerce and Industry School of Commerce in 1986, Olivier Fahy began his career in the building paint industry. He created his first wholesale paint company in 1988 in the Paris area, which he later sold. Following a brief spell in Export sales for a pharmaceutical laboratory, he joined an industrial consulting firm, Cabinet Roux-Herr, where he carried out assignments at large manufacturing and banking firms as part of the disposal or takeover of tangible assets.</p> <p>Believing that if you can advise others, you can also apply that advice to yourself, in 1993 Olivier Fahy participated in the takeover of SARPAP, which subsequently became Berkem.</p> <p>Starting as an employee at Berkem in 1996, becoming Chief Executive Officer in 2001, followed by Chairman and Chief Executive Officer and main shareholder in 2008, Olivier Fahy has supported the teams through Berkem's growth, and from turnover of less than €1 million excluding taxes in 1993, Berkem has today become a small group of</p>
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	more than 150 people, generating just over €40 million in turnover excluding taxes.
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- **Stanislas Fahy: Director**

	<p>Stanislas Fahy holds a Bachelor's degree in International Business from Neoma Business School and a Master of Science in Sustainability Management from ESCP Europe. He is currently responsible for the development of IT systems in a company specialising in civil engineering waste management</p> <p>In addition to the development of innovative projects, Stanislas Fahy actively participates in the construction of partnerships with players in the land and building waste recycling market in coordination with many different economic players.</p>
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- **Thierry Lambert: Independent Director**

	<p>After studying banking (ITB and CESB), Thierry Lambert pursued a career as a banking executive at BNP, where he held various head office management responsibilities prior to being appointed Deputy Head of Corporate Marketing within the Central Department of the metropolitan networks.</p> <p>In 1989, he left banking for Pikarome, a condiments company (vinegar, mustard) as Managing Director, and created a subsidiary for the cultivation and packaging of gherkins in Morocco.</p> <p>From 1992, he participated alongside Jacques Dikansky in the creation of Naturex, a company producing (extraction, formulation) natural ingredients mainly intended for the agrifoods, nutraceuticals, cosmetics and pharmaceuticals industries, using wild or cultivated plants from all over the world. He was Deputy CEO of the company and then its CEO from 2012 to 2015.</p> <p>He floated the company on the stock market in 1996 and raised funds through various market capital increases. These rounds of fundraising would finance an ambitious acquisition programme (around 10 acquisitions between 1997 and 2014), which strengthened the international character of the company, particularly in the USA where he spent most of his time for several years.</p> <p>Present in around 15 countries in the form of industrial or commercial establishments, the company, which had generated several hundred million euros in turnover by the time Thierry Lambert retired, was subsequently sold to Givaudan.</p>
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- **Michael Wood: Independent Director**

	<p>Mike Wood has extensive experience in the food industry, having held senior positions in the food safety field. In addition, he brings with him experience in the development of innovative customer solutions.</p> <p>As Head of Company Standards in a UK national supermarket chain, Mike Wood has led teams that have been involved in improving food, safety and consumer protection standards. He then held several management positions at the international retail giant, Tesco Stores Ltd, before becoming Head of Innovation &amp; Field Support for the global leader in pest control and hygiene services – Rentokil Initial plc. He now heads the Food Health and Safety team of the United Kingdom's largest food wholesaler.</p> <p>Mike Wood holds a BSc (Hons) in Environmental Health and an MSc in Food Safety and Control.</p>
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- **Alessandro Bascelli: Independent Director**

	<p>Alessandro Bascelli has devoted 40 years of his professional life to the development of companies in foreign markets.</p> <p>In 1983, he graduated in Modern Languages and Literature (English – German) and began his career as a production developer at Delta SPA, an industrial company manufacturing polyurethane insoles for shoes. Within this company he acquired expertise in sales to the American and Canadian markets and, at the same time, developed a sales approach based on the quality of the products and related after-sales service. Alessandro Bascelli would go on to perfect and pursue this approach throughout his career.</p> <p>In 1992, he was appointed Export Director at Italtacco SRL, an industrial company also operating in the soles sector, with specific expertise in thermoplastic chemical compounds. Alessandro Bascelli would be involved in developing export markets for this company. His duties led him to travel frequently to many countries to promote the quality of the products and the company. Alessandro Bascelli was also involved in the creation of a production unit in Mexico.</p> <p>In 2003, Alessandro Bascelli joined ICA SPA, a company specialising in wood coatings, as Export Director. Although operating in a different sector, Alessandro Bascelli applied the same approach and expertise acquired, in particular his multicultural approach, in order to develop the export department, which grew from 8 to 30 employees by the end of his career, with a presence in many countries, including Spain, Germany, Poland, the United States and China.</p>
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**12.2 Conflicts of interest in administrative and General Management bodies**

HOF, itself controlled by Olivier Fahy (Chairman and Chief Executive Officer of the Company), holds all of the Company's share capital and voting rights, with the exception of one share held by Stanislas Fahy (Director of the Company).

To the best of the Company's knowledge and subject to the relationships described in section 12.1 above, there are no current or potential conflicts of interest between the duties towards the Group and the private interests and/or other duties of the Chairman and Chief Executive Officer, and the Directors of the Company, as referred to in section 12.1 above.

The Board of Directors has adopted rules of procedure, including an article on the “Prevention of conflicts of interest”, which stipulates the requirement for a member of the Board of Directors in such a situation to fully and immediately inform the Board of Directors of any actual or potential conflicts of interest that he or she may have in the course of his or her duties as a member of the Board of Directors, notably in order to determine whether to abstain from participating in the discussions and/or vote on the matters in question.

To the best of the Company's knowledge, at the date of approval of the Registration Document, there are no arrangements or agreements entered into with the main shareholders or with customers, suppliers or others, under which any of the persons referred to in section 12.1 above has been selected as a member of an administrative, management or supervisory body or as a member of the Company's General Management.

### 13. COMPENSATION AND BENEFITS

#### 13.1 Compensation of corporate officers

The information in this section is prepared with reference to the Corporate Governance Code for Mid- and Small Caps as published in September 2021 by Middlednext, approved as a reference code by the AMF. The tables appearing in AMF Position-Recommendation No. 2021-02 are presented below.

Tables Nos. 3 to 10 are not applicable.

By private deed dated 8 March 2021, the shareholders unanimously decided to transform the Company from a simplified joint-stock company (*société par actions simplifiée*) to a public limited company (*société anonyme*) with a Board of Directors. Consequently, the information presented in this section for each corporate officer may include periods during which each person held different positions. The reader is invited to refer to the details provided beneath the following tables, where applicable.

**Table 1: Summary table of compensation and options and shares granted to each executive corporate officer**

	Financial year 31/12/2020	Financial year 31/12/2019
<b>Olivier Fahy – Chairman and Chief Executive Officer (1)</b>		
Compensation awarded for the financial year (detailed in Table 2)	€393,945	€350,365
Valuation of multi-year variable compensation awarded during the financial year	None	None
Valuation of options granted during the financial year	None	None
Valuation of free shares granted	None	None
Valuation of other long-term compensation plans	None	None
<b>Total</b>	<b>€393,945</b>	<b>€350,365</b>

(1) Olivier Fahy was appointed Chairman and Chief Executive Officer of the Company in its current form by decision of the Board of Directors on 10 March 2021. The compensation indicated in this table represents the total compensation received by Olivier Fahy in respect of his office as Chairman of Berkem Développement, a subsidiary of the Company; the sole office in respect of which Olivier Fahy received compensation from the Group for financial years ended 31 December 2020 and 31 December 2019.

**Table 2: Summary table of the compensation of each executive corporate officer**

The following tables present the compensation awarded to executive corporate officers for financial years ended 31 December 2020 and 31 December 2019 and the compensation received by these same individuals during the same financial years.

	Financial year 31/12/2020		Financial year 31/12/2019	
	Amounts awarded <sup>(1)</sup>	Amounts paid <sup>(2)</sup>	Amounts awarded <sup>(1)</sup>	Amounts paid <sup>(2)</sup>
<b>Olivier Fahy – Chairman and Chief Executive Officer (3)</b>				

	Financial year 31/12/2020		Financial year 31/12/2019	
	Amounts awarded <sup>(1)</sup>	Amounts paid <sup>(2)</sup>	Amounts awarded <sup>(1)</sup>	Amounts paid <sup>(2)</sup>
Fixed compensation (4)	€199,800	€199,800	€196,200	€196,200
Annual variable compensation (4) (5)	€160,271 (6)	€117,228 (7)	€113,376 (8)	€105,570 (9)
Multi-year variable compensation	-	-	-	-
Exceptional compensation (4)	€25,912	€25,912	€32,945	€32,945
<i>Of which annual activity bonus (10)</i>	<i>€9,562</i>	<i>€9,562</i>	<i>€16,595</i>	<i>€16,595</i>
<i>Of which 13<sup>th</sup> month compensation</i>	<i>€16,350</i>	<i>€16,350</i>	<i>€16,350</i>	<i>€16,350</i>
Compensation allocated for office as Director	-	-	-	-
Benefits in kind (11)	€7,962	€7,962	€7,844	€7,844
<b>Total</b>	<b>€393,945</b>	<b>€350,902</b>	<b>€350,365</b>	<b>€342,559</b>

- (1) Compensation due to the executive corporate officer for the financial year in question, the amount of which is not subject to change regardless of the payment date.
- (2) All compensation paid during the financial year to the executive corporate officer.
- (3) The compensation indicated in this table represents the total compensation received by Olivier Fahy in respect of his office as Chairman of Berkem Développement, a subsidiary of the Company; the sole office in respect of which Olivier Fahy received compensation from the Group for financial years ended 31 December 2020 and 31 December 2019.
- (4) On a gross basis before tax.
- (5) It is specified that (i) the Group's gross operating profit plus operating subsidies for a given financial year is the only aggregate to which a percentage is applied, serving as the basis for determining the amount of the annual variable compensation attributable to Olivier Fahy in respect of his office as Chairman of Berkem Développement, and (ii) that the amount of annual variable compensation is not correlated with the fixed compensation received in respect of the corporate office.
- For the financial year ended 31 December 2020, and for the purposes of preparing this document, the annual variable compensation due to Olivier Fahy was set on 31 March 2021, after the closing and certification of the Group's financial statements. Exceptionally, for the financial year ended 31 December 2020, as an exception to the above criteria, the aggregate to which the percentage used to determine the annual variable compensation of Olivier Fahy was applied is the gross operating profit as shown in the Company's combined financial statements for the financial year ended 31 December 2020 and corresponding to the Company's corporate financial statements, combined with the consolidated financial statements of Berkem Développement, Berkem, Adkalis, Lixol and Eurolyo; the companies of the T&G division were excluded from this scope. This aggregate was chosen because it more accurately reflects the Group's position at 31 December 2020.
- (6) The annual variable compensation thus set is payable over 12 months from 31 March 2021 to 31 March 2022.
- (7) The annual variable compensation paid to Olivier Fahy during the financial year ended 31 December 2020 includes (i) €60,540 for the financial year ended 31 December 2018, and (ii) €56,688 for the financial year ended 31 December 2019.
- (8) The annual variable compensation attributable to Olivier Fahy for the financial year ended 31 December 2019 was set on 30 June 2020 and paid on a monthly basis from that date until 30 June 2021.
- (9) The annual variable compensation paid to Olivier Fahy during the financial year ended 31 December 2019 includes (i) €45,030 for the financial year ended 31 December 2017, and (ii) €60,540 for the financial year ended 31 December 2018.
- (10) Activity bonus granted to all Berkem Développement employees, determined in particular on the basis of quantitative quarterly targets.
- (11) Benefits in kind include payments to the social security regime for company officers, granted to Olivier Fahy in respect of his office as Chairman of Berkem Développement.

## **Principles applicable to the determination and setting of the compensation of the Chairman and Chief Executive Officer**

Olivier Fahy, Chairman and Chief Executive Officer of the Company, is currently Chairman of Berkem Développement and compensated in this capacity as indicated above. In order to avoid any cumulative compensation between the compensation received by Olivier Fahy as Chairman of Berkem Développement and as Chairman and Chief Executive Officer of the Company, no fixed or variable compensation will be awarded to him for his duties as Chairman and Chief Executive Officer of the Company for as long as he is compensated as Chairman of Berkem Développement.

### **▪ Reminder of the total compensation and benefits of any kind awarded to the Chairman and Chief Executive Officer in respect of his office as Chairman of Berkem Développement**

- Gross annual fixed compensation for the financial year ended 31 December 2020: €199,800 payable in twelve (12) gross monthly payments of €16,650;
- Gross annual variable compensation: A percentage applied to gross operating profit plus operating subsidies, such as these two aggregates appear in the consolidated financial statements of Berkem Développement at the end of each financial year concerned.

As Berkem Développement will no longer prepare consolidated financial statements for the financial year ended 31 December 2021 and for subsequent financial years as a result of its inclusion in the Company's scope of consolidation, the above aggregates will be those shown in the Company's consolidated financial statements for the first time for the financial year ended 31 December 2021.

The annual variable compensation is set on 30 June of each year (N) for the last financial year ended. The annual variable compensation thus set is payable over twelve months from 30 June N to 30 June N+1;

- Exceptional compensation:
  - Activity bonus granted to all Berkem Développement employees, determined in particular on the basis of quantitative quarterly targets,
  - Payment of a thirteenth month's compensation;
- Reimbursement of travel expenses and expenses incurred in the interest of Berkem Développement, upon receipt;
- Benefits of any kind attributable to the Chairman by virtue of his office within Berkem Développement:
  - Benefit from the compulsory supplementary collective schemes in force within Berkem Développement and applicable to executive corporate officers in terms of personal risk insurance (covering risks relating to disability, death and incapacity for work) and retirement (Agirc-Arcco);
  - Benefit from the collective scheme in force within Berkem Développement and applicable to executive corporate officers in terms of supplementary pension with defined contributions of the "Article 83" type with the related contributions covered in part by Berkem Développement;



- Benefit from the collective scheme in force within Berkem Développement and optionally applicable to executive corporate officers in terms of healthcare costs, with the related contributions covered in part by Berkem Développement;
  - Benefit from a social guarantee for company heads and senior executives (GSC) with so-called “75” coverage offering coverage for a period of eighteen (18) months with Berkem Développement paying the full cost of the contributions relating to the GSC;
  - Benefit from civil liability insurance for executive corporate officers with Berkem Développement fully covering premiums.
- **Principles applicable to the determination of the compensation of the Chairman and Chief Executive Officer by virtue of his office within the Company**

In addition, the Company's Board of Directors decided unanimously (except for the voluntary abstention of Olivier Fahy), at this stage and in the interest of proper disclosure to the shareholders, to set the principles that will be applicable to the determination of the total compensation and benefits of any kind attributable to Olivier Fahy as Chairman and Chief Executive Officer within the Company and that would come into effect, as the case may be, only when he is no longer compensated for his office as Chairman of Berkem Développement:

- Gross annual fixed compensation: €285,000 payable in twelve (12) gross monthly instalments of €23,750. The gross annual amount of the fixed compensation will be automatically revalued on 1 January each year, by 1.10%;
- Gross annual variable compensation: A percentage set by the Board of Directors and applied to gross operating profit as shown in the Company's consolidated financial statements and which will be prepared for the first time by the Company for the financial year ended 31 December 2021 insofar as it is not required to do so before that date;
- Multi-year variable compensation: None;
- Exceptional compensation: Benefit from the activity bonus established by practice for all employees and corporate officers of Groupe Berkem, determined in particular on the basis of quantitative collective objectives;
- Compensation for serving as a director under Article L. 225-45 of the French Commercial Code: See details under table No. 3;
- Reimbursement of travel expenses and expenses incurred in the interests of the Company, upon presentation of receipts;
- Benefits of any kind attributable to the Chairman and Chief Executive Officer by virtue of his or her office within the Company:
  - Benefit from the compulsory supplementary collective schemes in force within the Company and applicable to executive corporate officers in terms of personal risk insurance (covering risks relating to disability, death and incapacity for work) and retirement (Agirc-Arcco);
  - Benefit from the collective scheme that will be in force within the Company and applicable to executive corporate officers in terms of supplementary pension with defined contributions of the “Article 83” type with the related contributions covered in part by the Company;

- Benefit from the current group plan that will be in force within the Company and optionally applicable to executive corporate officers in terms of healthcare costs, with the related contributions covered in part by the Company;
- Benefit from a social guarantee for company heads and senior executives (GSC) with so-called “75” coverage offering coverage for a period of eighteen (18) months with the Company paying the full cost of the contributions relating to the GSC;
- Benefit from civil liability insurance for executive corporate officers including an extension known as “stock market claims” or any other equivalent or additional extension with full coverage of the premiums by the Company.

The benefits of any kind listed above were subject to the prior authorisation of the Board of Directors at its meeting of 10 March 2021 and were approved by the Ordinary Shareholders' Meeting of the Company, on the special report of the Statutory Auditors, at its meeting of 26 April 2021 under the conditions of Articles L. 225-38 *et seq.* of the French Commercial Code.

▪ **Principles applicable to the award of an exceptional bonus to the Chairman and Chief Executive Officer in connection with the completion of the Company’s IPO**

In line with the principles applicable to the determination of the compensation of the Chairman and Chief Executive Officer for his position within the Company, as set by the Board of Directors, the Board of Directors decided unanimously (except for the voluntary abstention of Olivier Fahy), subject to the condition precedent of the settlement-delivery of the Company's shares at the time of the IPO, to award an exceptional bonus to the Chairman and Chief Executive Officer as compensation for the exceptional work and efforts accomplished as part of the preparation for the IPO, the amount of which will be set according to the valuation of the Company resulting from the price per share at the time of the IPO within a range of between €50,000 and €300,000, net of all social security contributions and related contributions (whether employee or employer) in accordance with the regulations in force.

The provisions of Articles L. 22-10-8 *et seq.* of the French Commercial Code relating to the “say on pay” are not applicable to the Company. The same will apply in the event of listing of the Company’s shares for trading on the Euronext Growth multilateral trading facility, insofar as the French Commercial Code does not make this information mandatory for companies listed on this market.

**Table 3: Table of compensation awarded for serving as director and other compensation received by non-executive corporate officers**

None

The Company was transformed into a public limited company with a Board of Directors on 8 March 2021 and as a result, no compensation could be allocated to the Company’s directors for the last two financial years.

In this context, the Company’s Ordinary Shareholders' Meeting of 26 April 2021 decided, in application of Article L. 225-45 of the French Commercial Code, to set the annual lump sum allocated to the Directors as compensation at an amount of ninety thousand euros (€90,000) for the financial year ended 31 December 2021 as well as for subsequent financial years, until a further decision by the Shareholders' Meeting.

In order to comply with recommendation No. 12 of the Middlednext Corporate Governance Code, the Company’s Board of Directors has decided to adopt the policy for distributing the total compensation of directors referred to in Article L. 225-45 of the French Commercial Code as follows: €1,500 gross awarded to each director present at the meetings of the Board of Directors meeting per month, up to a maximum of twelve meetings per year; i.e. an annual maximum of €18,000 gross per director. Any meeting held in excess of this limit is not compensated by the Company.

**Table 10: History of free share awards**

None

The Extraordinary Shareholders' Meeting of the Company of 26 April 2021 authorised, on the special report of the Statutory Auditors, the Company's Board of Directors, pursuant to Article L. 225-197-1 to L. 225-197-6 of the French Commercial Code, to award existing or future free shares of the Company to all or some of the employees and/or corporate officers referred to in Article L. 225-197-1, II of the French Commercial Code, subject to the condition precedent of the settlement-delivery of the Company's shares in the context of their admission to trading on the Euronext Growth multilateral trading facility in Paris (see Section 19.1.1).

Once the Company's shares have been admitted to trading on the Euronext Growth multilateral trading facility in Paris, the Company's Board of Directors reserves the right to study the implementation of such a plan, the terms and conditions of which have not yet been determined.

The reader's attention is drawn to the fact that this is only an option for the Board of Directors of the Company and that it does not presume in any way that a subsequent plan will be set up, so that the terms of this document may not be interpreted as creating any obligation on the part of the Company, nor even as presuming the eligibility of all or some of the employees and/or corporate officers referred to in Article L. 225-197-1, II of the French Commercial Code.

The implementation of a free share award plan remains at the discretion of the Board of Directors in accordance with the conditions and criteria set by the Extraordinary Shareholders' Meeting of the Company on 26 April 2021.

The maximum number of free shares that may be awarded by the Board of Directors is limited to 10% of the Company's share capital.

**Table 11: Details of the compensation terms and conditions and other benefits granted to executive corporate officers**

Executive corporate officers	Employment contract		Supplementary pension scheme		Compensation or benefits due or likely to be due as a result of termination or change of position		Compensation relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Olivier Fahy – Chairman and Chief Executive Officer	X <sup>(1)</sup>		X <sup>(2)</sup>		X <sup>(3)</sup>			X
<i>Term start date:</i>	Board of Directors' meeting of 10 March 2021							
<i>Term end date:</i>	At the close of the Annual Shareholders' Meeting held in 2025 to approve the financial statements for the financial year ended 31 December 2024							

(1) Olivier Fahy holds a permanent employment contract with the Company as Deputy General Manager, which took effect on 1 September 1996 (initially within Berkem (following the merger-absorption of SARPAP on 30 November 2001), then Berkem Développement and finally Groupe Berkem). On account of the positions as Executive Corporate Officer that Olivier Fahy held within these various entities, this employment contract has been suspended since 30 November 2001. Please refer to Section 14.2 of this document.

- (2) In addition to the compulsory collective scheme in force within Berkem Développement and applicable to the executive corporate officers in terms of supplementary pensions (Agirc-Arrco), Olivier Fahy is a beneficiary of the collective scheme in force within Berkem Développement and applicable to executive corporate officers in terms of supplementary “Article 83”-type defined-contribution schemes with the related contributions being covered in part by Berkem Développement. The amount of contributions paid for the financial year ended 31 December 2020 was €25,092.96.
- (3) The Company has undertaken, subject to the condition precedent of the settlement-delivery of the Company's shares in the context of their admission to trading on the organised multilateral trading facility of Euronext Growth in Paris, to pay an indemnity in the event of termination of the Corporate Office (as defined below) of Olivier Fahy, for any reason whatsoever (including, indirectly, upon non-renewal or revocation of a director's term of office), except in the event of (i) revocation for Gross Misconduct (as defined below) or (ii) resignation, except if such resignation is given in the context of a Compulsory Departure (as defined below) that:
- the notion of corporate office is defined as (i) the term of office of Chairman and Chief Executive Officer (in the event of multiple positions) even if Olivier Fahy retains the office of Chairman of the Board of Directors or Chief Executive Officer following the termination of the combined positions of Chairman of the Board of Directors and Chief Executive Officer or (ii) of Chairman of the Board of Directors or Chief Executive Officer (in the event of separation of those positions) (hereinafter, the “Corporate Office”),
  - the notion of gross misconduct has the meaning given to it by the case law of the Social Chamber of the Court of Cassation, this definition being applicable *mutatis mutandis* to qualify as gross misconduct the misconduct that Olivier Fahy would commit in the context of the Corporate Office (hereinafter the “Gross Misconduct”), and
  - the notion of compulsory departure is defined as any resignation from the Corporate Office following (a) the dismissal or non-renewal of the term of office of Olivier Fahy, and/or (b) at the change of control of the Company within the meaning of Article L. 233-3 of the French Commercial Code (referred to above, the “Compulsory Departure”).

The indemnity amount (the “Indemnity Amount”) will be equal to the higher of the following two amounts: (i) €1,181,835.00 or (ii) the aggregate amount of gross compensation (fixed and variable portions) received by Olivier Fahy in respect of his positions, of any nature whatsoever (whether for the Corporate Office and/or, where applicable, his employment contract), performed within the Company and/or a subsidiary of the latter during the last thirty-six (36) months preceding the date of his departure. In the event that the functions of Chairman of the Board of Directors and Chief Executive Officer are combined, the Indemnity Amount will only be due once, regardless of whether the combined functions of Chairman of the Board of Directors and Chief Executive Officer are terminated simultaneously or successively.

The sums that would be due to Olivier Fahy (on the date of termination of the Corporate Office and subsequently) under his employment contract or benefits of any kind such as the GSC guarantee or the supplementary pension that the Company would have subscribed for on his behalf, will not be included in the Indemnity Amount and will be added to the latter.

The net Indemnity Amount will be paid after deduction, where applicable, of all social security contributions and related contributions and exclusively payable by Olivier Fahy in accordance with the regulations in force. The Company will also deduct income tax from this amount.

Payment of the Indemnity Amount must be made within 45 days of the end of the term of the Corporate Office of Olivier Fahy.

The above-mentioned Indemnity Amount as a severance payment was subject to the prior authorisation of the Board of Directors at its meeting of 8 April 2021 and was approved by the Company's Ordinary Shareholders' Meeting, on the special report of the Statutory Auditors, at its meeting of 26 April 2021 in accordance with Articles L. 225-38 *et seq.* of the French Commercial Code.

**13.2 Amounts provisioned by the Company for the payment of pensions, retirement and other benefits to corporate officers**

The Company has not made any provision for the payment of pensions, retirement or other benefits for the Chairman and Chief Executive Officer and Directors.

The Company has not paid any arrival or departure bonuses to the above-mentioned corporate officers. The Group has not paid any arrival or departure bonuses to corporate officers.

## **14. FUNCTIONING OF THE ADMINISTRATIVE AND MANAGEMENT BODIES**

### **14.1 Company Management**

The Company is a public limited company (*société anonyme*) with a Board of Directors. The detailed composition of the Board of Directors is provided in section 12.1 “*Senior executives and Directors*”.

The expiry date of the current term of office of these persons and the period during which they were in office are shown in section 12.1 “*Senior executives and Directors*”.

### **14.2 Information on contracts between senior executives and the Company or one of its subsidiaries**

Olivier Fahy holds a permanent employment contract with the Company as Deputy General Manager, which took effect on 1 September 1996 (initially within Berkem, following the merger-absorption of SARPAP, and then Berkem Développement).

On account of the positions as Executive Corporate Officer that Olivier Fahy held within these various entities, this employment contract has been suspended since 30 November 2001.

As part of the reorganisation of the Group (see Section 6), and insofar as the Company now has a role in managing the Group's companies, the team of executive managers employed by Berkem Développement (including Olivier Fahy exclusively under his suspended employment contract as Deputy General Manager) were transferred to the Company on 5 March 2021 under the terms of voluntary tripartite transfer agreements entered into by the Company, Berkem Développement and each employee concerned.

For all intents and purposes, it is specified that the contractual transfer of Olivier Fahy's employment contract had no impact on its suspension.

When this contractual transfer occurred, it became necessary to formalise, on 5 March 2021, all the terms and conditions exclusively related to the suspended employment contract between the Company and Olivier Fahy by means of an amendment, the main terms and conditions of which are set out below:

- the amendment will apply at the end of the suspension of his employment contract;
- the length of service acquired within the various Group companies is assumed by the Company, i.e. from 1 September 1996;
- in consideration for the performance of his duties as an employee, he shall receive a fixed annual compensation equal to the gross annual compensation he received as Chairman and Chief Executive Officer of the Company, as a corporate officer, during the twelve months prior to the date of termination of his corporate office, regardless of the reason for such termination. This reference annual compensation will thus consist of the fixed portion and the variable portion that he received in respect of his corporate office as Chairman and Chief Executive Officer of the Company during the last twelve months of this term. In any case, this annual fixed compensation may not be less than €284,000 gross;
- he will benefit from all the benefits in force within the Company, for his professional category, he will join the welfare, pension and supplementary health plans to which the Company is a member, for his professional category and beneficiary, as an essential condition, a supplementary pension with defined contributions;

- professional expenses incurred in the performance of his duties will be reimbursed upon presentation of the appropriate receipts, according to the scales and procedures in force within the Company.

The agreements entered into between the Group and HOF, a company controlled by Olivier Fahy, are presented in section 17 of the Registration Document.

### **14.3 Board of Directors and specialised committees – corporate governance**

#### 14.3.1 Board of Directors

The composition and information relating to the members of the Board of Directors are the subject of the developments presented in sections 12 “*Administrative, management, supervisory and general management bodies*” and 19.2 “*Articles of Incorporation and Bylaws*” of the Registration Document.

In the search for and selection of potential candidates as a director of the Company, a balanced representation of women and men on the Board has been sought to the greatest extent possible. Although the Company identified profiles of female directors who had the skills and knowledge related to the business sectors in which the Group operates, potential candidates were not able to accept the positions offered.

In accordance with the law, the Directors may only receive a fixed annual amount (formerly directors' fees) allocated by the Shareholders' Meeting and distributed among them by the Board of Directors. In addition, Directors may receive sums allocated for a particular activity (employment contract, compensation of the Chairman, the Chief Executive Officer or the Deputy Chief Executive Officers, exceptional compensation for specific missions or mandates, reimbursement of expenses) or more generally any other method of compensation authorised by the legal and regulatory provisions to which the Company would be or would become eligible.

Rules of procedure were adopted on 8 April 2021, setting out, in particular, the role and composition of the Board, the principles of conduct and the obligations of the members of the Board of Directors of the Company. Each member of the Board of Directors undertakes to maintain his or her independence of analysis, judgment and action and to participate actively in the work of the Board. He or she informs the Board of any conflicts of interest that they may be confronted with. In addition, the rules of procedure provide a reminder of the regulations in force on the distribution and use of inside information and specifies that its members, in accordance with the law, must refrain from carrying out transactions on the Company's securities when they have inside information. In accordance with the law, each member of the Board of Directors is required to report any transactions they make, directly or indirectly, on the Company's securities to the Company and the AMF.

The Company considers that, in the persons of Thierry Lambert, Michael Wood and Alessandro Bascelli, it already has Independent Directors, within the meaning of the provisions of the Corporate Governance Code for Mid- and Small Caps as published in September 2021 by Middlednext and approved as a reference code by the AMF, insofar as these Directors:

- are not employees or executive corporate officers of the Company or of a Group company and have not been during the last five years;
- do not have a significant business relationship with the Company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.) and have not had one during the last two years;
- are not reference shareholders of the Company or do not hold a significant percentage of voting rights;

- have no close relations or close family ties with a corporate officer or major shareholder; and
- have not been a Statutory Auditor of the Company during the last six years.

The number of meetings of the Board of Directors takes into account the various events that mark the life of the Company. Therefore, the Board of Directors meets as frequently as necessary in light of the Company's current events. To the extent possible, and in order to comply with recommendation No. 6 of the Middelnext Corporate Governance Code, the Board of Directors will meet at least four times per financial year.

#### 14.3.2 Audit committees

The Company has set up, subject to a condition precedent of the settlement-delivery of the Company's shares on the occasion of their first admission to trading on the Euronext Growth multilateral trading facility in Paris, by decision of the Board of Directors on 8 April 2021, an Audit Committee for an unlimited period. The Committee's operating rules are set out in the Board of Directors' rules of procedure.

The main terms of the rules of procedure relating to the Audit Committee are described below.

##### 14.3.2.1 Composition

As far as possible and depending on its evolution, the Audit Committee will be composed of a significant percentage of independent members. The members are chosen for their financial and/or accounting and/or auditing skills. Directors holding General Management positions cannot be members of the Audit Committee.

At its meeting of 8 April 2021, the Board of Directors of the Company appointed as the first members of the Audit Committee:

- Thierry Lambert, Independent Director, who will also be Chairman of the Audit Committee; and
- Stanislas Fahy.

##### 14.3.2.2 Duties

Without prejudice to the powers of the Board of Directors, the Audit Committee is responsible for the following tasks:

- monitoring the process of preparing financial information and, where appropriate, making recommendations to ensure its integrity;
- monitoring the effectiveness of the internal control and risk management systems, as well as, where applicable, the internal audit, as regards the procedures relating to the preparation and processing of accounting and financial information, without his or her independence being undermined;
- issuing a recommendation on the Statutory Auditors proposed for appointment or renewal by the Ordinary Shareholders' Meeting;
- monitoring the performance by the Statutory Auditor;
- ensuring that the Statutory Auditor complies with the conditions of independence set by law;
- reporting to the Board of Directors on the results of the certification of the financial statements, on the manner in which this assignment contributed to the integrity of the financial information



and on the role it played in this process. It immediately informs the Board of any difficulties encountered.

#### 14.3.2.3 Operating procedures

The Board of Directors appoints the members of the Audit Committee. The members of the Audit Committee attend meetings in person.

The members of the Audit Committee may be dismissed by the Board of Directors.

In the event of a vacancy on the Audit Committee, the Board of Directors may appoint a replacement for the remaining term of the vacated position.

The term of office of the members of the Audit Committee coincides with their term of office as member of the Board of Directors. It may be renewed at the same time as the latter.

The Chair of the Audit Committee is appointed by the Board.

The Audit Committee sets the annual calendar of its meetings. These meetings are held at the registered office or any other place determined by its Chair. The Chair of the Audit Committee sets the agenda for its meetings. The Chair of the Audit Committee may decide to invite all or some of the members of the Board of Directors or any person of its choice to attend certain meetings.

#### 14.4 Corporate governance statement

Pursuant to item 14.4 of Delegated Regulation (EU) 2019/980 of the European Commission of 14 March 2019, the Company has designated the Corporate Governance Code for Mid- and Small Caps as published by Middlednext in September 2021 as the reference code to which will refer once its securities are listed on the Euronext Growth Paris market, this code being available notably on the Middlednext website (<https://www.middlednext.com/>).

The table below shows the Company's position with respect to all the recommendations issued by the Middlednext Code at the date of approval of the Registration Document.

Recommendation of the Middlednext Code	Adopted	Not adopted
<b>“Oversight” power</b>		
R1: Ethics of Board members	X	
R2: Conflicts of interest	X	
R3: Composition of the Board – Presence of independent members	X	
R4: Information for Board members	X	
R5: Training for Board members		X
R6: Organisation of Board and Committee meetings	X	
R7: Establishment of committees	X	
R8: Establishment of a specialised committee on Corporate Social Responsibility (CSR)		X
R9: Implementation of rules of procedure for the Board	X	
R10: Choice of each Director	X	
R11: Term of office of Board members		X
R12: Directors' compensation	X	

R13: Implementation of an assessment of the work of the Board		X
R14: Relations with “shareholders”	X	
<b>Executive power</b>		
R15: Diversity and fairness policy within the Company	X	
R16: Definition and transparency of the compensation of executive corporate officers	X	
R17: Preparation of the succession of “senior executives”	X	
R18: Combination of employment contract and corporate office	X	
R19: Severance pay		X
R20: Supplementary pension schemes	X	
R21: Stock options and free share awards	X	
R22: Review of points of vigilance	X	

In particular, the Company considers that it is not in compliance with the following recommendations:

- R5 “*Training of Board members*”: At the date of this document, the Company does not have a three-year training plan. This topic will be reviewed in the next 24 months to provide a training plan adapted to the Company’s specifics;
- R8 “*Establishment of a specialised CSR committee*”: At the date of this document, the Company has not set up a specialised CSR committee, the option of a Board meeting to form a CSR Committee is being reviewed This topic will be reviewed in the next 24 months;
- R9 “*Implementation of rules of procedure for the Board*”: At the date of this document, the Company has not published the rules of procedure adopted by its Board of Directors on 8 April 2021, but will make them publicly available on its website once the Company's shares are admitted to trading on Euronext Growth;
- R11 “*Term of office of Board members*”: At the date, the Company does not consider it appropriate to implement a staggered renewal of Directors, given its size and the number of Directors on its Board of Directors. Depending on the changes in the composition of its governance, the Company will assess the opportunity to submit proposals for the staggered renewal of its Directors to its shareholders;
- R13 “*Implementation of an assessment of the work of the Board*”: At the date of this document, the Board of Directors has only a limited history of operations insofar as it was created following the transformation of the Company on 8 March 2021. The Board of Directors will subsequently review the implementation of an assessment of its work once it has sufficient experience to decide on an appropriate procedure. This procedure should be implemented over the next 24 months;
- R19 “*Severance pay*”: The Board of Directors of the Company has not considered it appropriate, to date, to cap the severance pay that may be paid to Olivier Fahy at two years of compensation (fixed and variable) in view of the specific terms and conditions of applicability of this indemnity (see section 13.1). The severance payment of Olivier Fahy takes into account not only the specific methods for setting his annual variable compensation, which is entirely dependent on the Group’s performance (percentage of gross operating profit) implying that the cumulative amount of his fixed and variable compensation used to determine the amount of indemnity amount may be subject to significant variations from one financial year to another.

The cap on the indemnity amount, as the case may be, at three years of compensation (fixed and variable) is therefore more appropriate. Similarly, this ceiling is also explained by the fact that Olivier Fahy does not have any contractual indemnity or non-compete clause under his employment contract that may be added to the indemnity amount set by the Board of Directors.

The equity ratio pursuant to recommendation R 16 is 21.3<sup>63</sup> for the financial year ended 31 December 2020, for Olivier Fahy. In addition, the lowest salary within the Group is €20,800 gross per year.

## 14.5 Internal control

At the date of approval of the Registration Document, the Company is not required to report on the main features of the internal control and risk management procedures implemented within the Group as referred to in Article L. 22-10-35 of the French Commercial Code. The same will apply in the event of listing of the Company's shares for trading on the Euronext Growth multilateral trading facility, insofar as the French Commercial Code does not make this information mandatory for companies listed on this market.

At the date of approval of the Registration Document, the Group already has the following internal control and risk management procedures relating to the preparation and processing of the following accounting and financial information:

### 14.5.1 Organisation of the Accounts and Finance Department

The Finance function is managed internally by the Chief Financial Officer. The Accounts function is carried out with the assistance of a chartered accountant. The Group is keen to maintain a separation between its financial statement production and supervision activities and uses independent experts to value complex accounting items (pension commitments).

Payroll is performed in-house and the tax review is entrusted to a chartered accountant.

The accounts prepared in accordance with French standards, produced with the assistance of an independent accounting firm, are submitted for audit to the Statutory Auditors.

The Finance Department reports directly to the Chairman and Chief Executive Officer.

### 14.5.2 Budget process and “monthly reporting”

The accounting system implemented by the Group is based on French accounting standards. The Group draws up an annual budget and a “monthly report”. These items are presented to the Chairman and Chief Executive Officer and to the Board of Directors, depending on the frequency of its meetings. The Group monitors its budget closely.

## 14.6 Significant impacts on corporate governance

None

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<sup>63</sup> Calculation of the ratio: amount of total compensation in the numerator and the legal minimum hourly wage (SMIC) for the reference year in the denominator.

## 15. EMPLOYEES

### 15.1 Number of employees and breakdown by function

At the date of approval of the Registration Document, the Group's total headcount is 166 employees.

Groupe Berkem	4
Berkem Développement	35
Berkem ( <i>plant extraction</i> )	64
Eurolyo ( <i>freeze-drying</i> )	5
Adkalis ( <i>formulation</i> )	41
Berkem Inc	0
Lixol ( <i>resin industry</i> )	17
<b>Total Group workforce</b>	<b>166</b>

At 31 December 2020, 2019 and 2018, the Group's headcount (excluding its former distribution subsidiaries now sold (T&G)) breaks down as follows:

Workforce at year-end	2020	2019	2018
Groupe Berkem	0	0	0
Berkem Développement	34	33	31
Berkem ( <i>plant extraction</i> )	62	60	54
Eurolyo ( <i>freeze-drying</i> )	4	4	4
Adkalis ( <i>formulation</i> )	38	44	40
Berkem Inc	0	-	-
Lixol ( <i>resin industry</i> )	13	16	14
<b>Total Group workforce</b>	<b>151</b>	<b>157</b>	<b>143</b>
<b>Total Group FTE (<i>Full-time equivalent</i>)</b>	<b>145</b>	<b>139</b>	<b>124</b>

<sup>(1)</sup> T&G Distribution, T&G and T&G Spain were sold on 31 December 2020 (see section 17.1 of the Registration Document).

The Group's headcount mainly comprises qualified and highly qualified personnel. At 31 December 2020, nearly 100 employees were managers or supervisors, i.e. more than two-thirds of the total number of employees.

The average age of the Group's employees at 31 December 2020 was 40.06 years old (compared to 35.44 years old the previous year). At that date, it was 36.83 years for women and 41.66 years for men. The Group is very keen to retain its employees and the average length of service was six years at 31 December 2020 and reached 10 years for managers at the same date.

Average length of service of Groupe Berkem employees

	<b>Women</b>	<b>Men</b>	<b>Average</b>
Managers	7 years	10 years	8.5 years
Supervisors	5 years	8 years	6.5 years
Employees	4 years	2 years	3 years
Workers	8 years	7 years	7.5 years
<b>Total</b>	<b>6 years</b>	<b>7 years</b>	<b>6 years</b>

The Group also pays particular attention to gender parity and has put in place human resources monitoring tools to measure, for example, gender pay gaps or pay increase gaps. The Group obtained an overall score of 71 points out of 100 for gender parity.

### 15.2 Shareholdings and stock options of corporate officers

At the date of approval of the Registration Document, the direct and indirect shareholdings of members of the Board of Directors as well as the number of securities giving access to the Company's share capital are as follows:

Name	Number of shares held directly	Number of shares held by related entities <sup>(1)</sup>	% of the Company's share capital	Securities
Olivier Fahy <sup>(1)</sup>	0	12,965,802	100%	None
Stanislas Fahy	1	1	0%	None
<b>TOTAL</b>		12,965,803	100%	None

<sup>(1)</sup> On the date of approval of the Registration Document, Olivier Fahy holds 98.47% of the share capital of HOF (a limited liability company of which Olivier Fahy is the manager), the remaining 1.53% are self-controlling interests (*actions d'auto-contrôle*).

### 15.3 Employee shareholding in the Company's share capital

At the date of approval of the Registration Document, no Group employee holds an equity interest in the Company.

## 16. MAIN SHAREHOLDERS

### 16.1 Breakdown of share capital and voting rights at the date of approval of the Registration Document

The detailed shareholding table below presents the breakdown of the Company's share capital and voting rights.

Shareholders	Breakdown of capital and voting rights on an undiluted basis				Breakdown of capital and voting rights on a diluted basis			
	Number of shares	% of capital	Number of voting rights	% of voting rights	Number of shares	% of capital	Number of voting rights	% of voting rights
HOF SARL <sup>(1)</sup>	12,965,802	100.00%	12,965,802	100.00%	12,965,802	100.00%	12,965,802	100.00%
Stanislas Fahy	1	0.00%	1	0.00%	1	0.00%	1	0.00%
<b>Total</b>	<b>12,965,803</b>	<b>100.00%</b>	<b>12,965,803</b>	<b>100.00%</b>	<b>12,965,803</b>	<b>100.00%</b>	<b>12,965,803</b>	<b>100.00%</b>

<sup>(1)</sup> HOF is a limited liability company with capital of €32,750,000 whose registered office is located at Blanquefort, 20, rue Jean Duvert and registered in the Bordeaux Trade and Companies Register under the unique identification number 804 788 503. HOF is 98.47% owned by Olivier Fahy; the balance of the share capital is self-controlling interests (*actions d'auto-contrôle*).

### 16.2 Double voting rights

In accordance with Article 11 of the Company's Bylaws, all fully paid-up shares (regardless of their class) are entitled to double the voting rights of other shares (in line with the proportion of the share capital they represent) which are proven to have been registered for at least two years in the name of the same shareholder. It is specified that the duration of registration in registered form, prior to the date of the collective decision establishing this right, i.e. 8 March 2021, is not taken into account.

This right is also conferred upon their issuance in the event of a capital increase by incorporation of reserves, profits or issue premiums, to registered shares allocated free of charge to a shareholder on account of existing shares for which he or she already benefits from this right.

### 16.3 Control of the Company

At the date of approval of the Registration Document, the Company is controlled within the meaning of Article 16.3 of Annex I of Commission Delegated Regulation (EU) No. 2019/980 of 14 March 2019, by the company HOF, which holds 12,965,802 shares representing 100% of the Company's share capital and voting rights, with the exception of one share held by Stanislas Fahy.

It is envisaged that following the listing of the Company's shares on Euronext Growth Paris, the Company will remain controlled by HOF, which is itself controlled by Olivier Fahy.

With the exception of (i) the presence of three Independent Directors on the Board of Directors, (ii) the Company's desire to comply with a certain number of recommendations of the Middenext Corporate Governance Code, aimed in particular at ensuring that this control is not exercised in an abusive manner (R1, R2, R3 and R12), and (iii) the related-party agreements regime, the Company has not put in place measures to ensure that this control is not exercised in an abusive manner.

#### **16.4 Agreements that may result in a change of control**

To the best of the Company's knowledge, no particular element of the Company's Articles of Incorporation, Bylaws, a charter or regulations could result, at a later date, in a change of control.

## **17. RELATED-PARTY TRANSACTIONS**

### **17.1 Intra-group agreements and related-party transactions**

Intra-group agreements and related party transactions are presented in the following paragraphs:

*17.1.1 Agreement dated 8 March 2021 between Groupe Berkem and Berkem Développement;*

*17.1.2 Service agreements;*

*17.1.3 Corporate office agreements;*

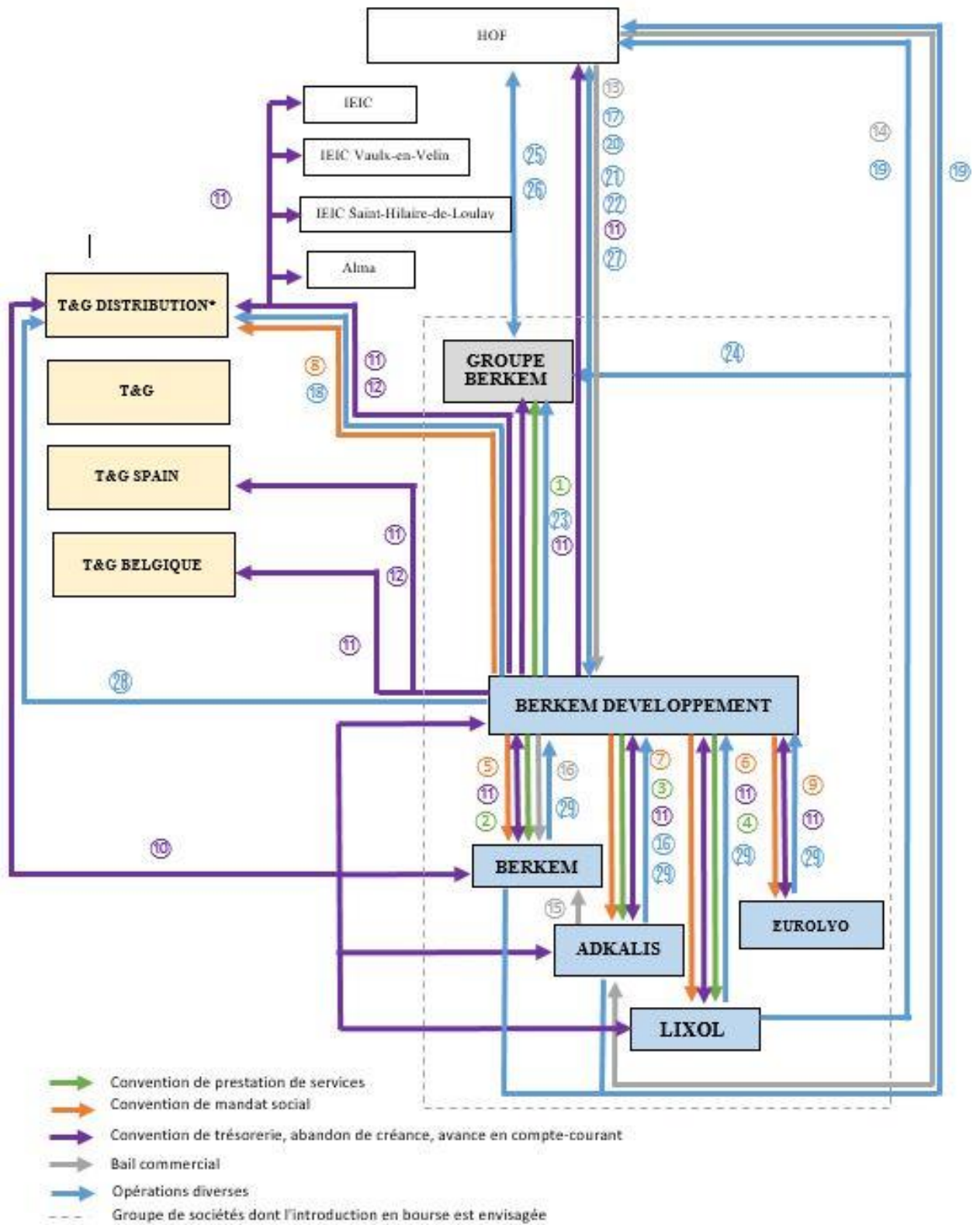
*17.1.4 Cash management agreements;*

*17.1.5 Lease;*

*17.1.6 Miscellaneous transactions.*

The organisation chart below summarises the various flows. The numbers indicated refer to the agreements described in this section.





\* En 2020, T&G Distribution a choisi "T&G France" comme dénomination commerciale.

Convention de prestation de services	Service provision agreements
Convention de mandat social	Corporate office agreements
Convention de trésorerie, abandon de créance, avance en compte-courant	Cash, receivables waiver, current account advance agreement
Bail commercial	Commercial lease
Opération diverses	Miscellaneous transactions
Groupe de sociétés dont l'introduction en bourse est envisagée	Group of companies being considered for an IPO
En 2020, T&G Distribution a choisi «T&G France » comme dénomination commerciale	In 2020, T&G Distribution chose "T&G France" as its trading name.

#### 17.1.1 Agreement dated 8 March 2021 between Groupe Berkem and Berkem Développement

On 8 March 2021, Groupe Berkem entered into a service provision and consulting agreement with its subsidiary Berkem Développement on legal, industrial and intellectual property, insurance, human resources, financial, accounting and commercial matters for an indefinite period (①). The compensation for said services will be determined on the basis of the direct and indirect costs borne by the Groupe Berkem and a margin of 5% will be applied to take into account market compensation.

#### 17.1.2 Service agreements

Berkem and Berkem Développement have agreed that Berkem Développement will provide a range of services in the areas of IT, purchasing, sales, marketing, human resources, administration, finance and accounting for the benefit of Berkem in return for a fee excluding annual taxes equal to 8% of Berkem's turnover excluding taxes (②). This agreement was entered into on 1 January 2013 for an indefinite period, and modified by an amendment dated 31 December 2014, bringing the amount of the annual fee to 12% of turnover excluding taxes.

The amount of fees invoiced for the past financial year amounted to the sum of €1,550,967.84.

Adkalis and Berkem Développement have agreed that Berkem Développement will provide a range of services in the areas of IT, purchasing, sales, marketing, human resources, administration, finance and accounting for the benefit of Adkalis in return for a fee excluding annual taxes equal to 8% of Adkalis' turnover excluding taxes (③). This agreement was entered into on 1 January 2013 for an indefinite period, and modified by an amendment dated 2 January 2018, bringing the amount of the annual fee to 8.5% of turnover excluding taxes.

The amount of fees invoiced for the past financial year amounted to the sum of €1,666,738.94.

Lixol and Berkem Développement have agreed that Berkem Développement will provide a range of services in the areas of IT, purchasing, sales, marketing, human resources, administration, finance and accounting for the benefit of Lixol (④). This agreement was entered into on 2 January 2017 for an indefinite period, for a variable fee of 10% of turnover excluding taxes.

The amount of fees invoiced for the past financial year amounted to the sum of €602,468.62.

#### 17.1.3 Corporate office agreements

On 1 January 2019, Berkem Développement and Berkem concluded a corporate office agreement setting the conditions under which the former will take over the chairmanship of the latter (⑤).

During financial year 2020, Berkem paid Berkem Développement compensation of €96,000.

On 1 January 2019, Berkem Développement and Lixol concluded a corporate office agreement setting the conditions under which the former will take over the chairmanship of the latter (⑥).

During financial year 2020, Lixol paid Berkem Développement compensation in the amount of €96,000 in this respect.

On 1 January 2019, Berkem Développement and Adkalis concluded a corporate office agreement setting the conditions under which the former will take over the chairmanship of the latter (⑦).

During financial year 2020, Adkalis paid Berkem Développement compensation of €96,000 in this respect.

On 1 January 2019, Berkem Développement and T&G Distribution concluded a corporate office agreement setting the conditions under which the former will take over the chairmanship of the latter (⑧).

During financial year 2020, T&G Distribution paid Berkem Développement compensation of €96,000 in this respect. For information, Berkem Développement no longer holds a corporate office within T&G Distribution as of 31 December 2020.

On 1 January 2019, Berkem Développement and Eurolyo concluded a corporate office agreement setting the conditions under which the former will take over the chairmanship of the latter (⑨).

During financial year 2019, Eurolyo paid Berkem Développement compensation of €96,000 in this respect.

#### 17.1.4 Cash management agreements

On 1 January 2014, Berkem, Adkalis, T&G Distribution and Berkem Développement concluded a cash management agreement, under which the companies agree to make permanent and systematic use of the option to carry out cash transactions between them (⑩). In accordance with the extension agreement dated 21 December 2016, this cash management agreement was extended to Lixol and Eurolyo.

During the year ended 31 December 2019, the following current account advances were made under this agreement and continued for the year ended 31 December 2020 (⑪):

- Eurolyo granted Berkem Développement a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €80,200 at 31 December 2020. This advance has not been remunerated;
- Berkem Développement granted Adkalis a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €3,009,664 at 31 December 2020. This advance has not been remunerated;
- Berkem Développement granted Berkem a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €164,936 at 31 December 2020. This advance has not been remunerated;
- Berkem Développement granted Lixol a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €1,463,142 at 31 December 2020. This advance has not been remunerated;
- Berkem Développement granted Groupe Berkem (formerly Immobilière et Foncière) a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €3,660 at 31 December 2020. This advance has not been remunerated;
- Berkem Développement granted IEIC<sup>64</sup> a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €53,651 at 31 December 2020. This advance has not been remunerated;
- Berkem Développement granted IEIC Vaulx-en-Velin<sup>64</sup> a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €75,762 at 31 December 2020. This advance has not been remunerated;

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<sup>64</sup> This company is a subsidiary of HOF whose purpose is to own and manage real estate assets.

- Berkem Développement granted IEIC Saint-Hilaire-de-Loulay<sup>64</sup> a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €42,557 at 31 December 2020. This advance has not been remunerated;
- Berkem Développement granted Alma<sup>64</sup> a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €125,570 at 31 December 2020. This advance has not been remunerated;
- Berkem Développement granted T&G Belgium a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €498,429 at 31 December 2019. This advance has not been remunerated;
- Berkem Développement granted T&G Distribution Spain a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €148,943 at 31 December 2019. This advance has not been remunerated;
- Berkem Développement granted HOF a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €2,487,378 at 31 December 2019. This advance has not been remunerated;
- Berkem Développement granted T&G Distribution a financial current account advance during the 2019 financial year. The balance of this current account advance amounted to €774,777 at 31 December 2019. This advance has not been remunerated.

During the financial year ended 31 December 2020, the following current account advances were made under the tax consolidation agreement (⑪):

- Lixol granted Berkem Développement a financial current account advance during the 2020 financial year. The balance of this current account advance amounted to €95,634 at 31 December 2020. This advance has not been remunerated;
- Berkem granted Berkem Développement a financial current account advance during the 2020 financial year. The balance of this current account advance amounted to €379,988 at 31 December 2020. This advance has not been remunerated;
- Berkem Développement granted Eurolyo a financial current account advance during the 2020 financial year. The balance of this current account advance amounted to €9,914 at 31 December 2020. This advance has not been remunerated;
- Berkem Développement granted Adkalis a financial current account advance during the 2020 financial year. The balance of this current account advance amounted to €593,826 at 31 December 2020. This advance has not been remunerated.

During the financial year ended 31 December 2020, two debt waivers were granted by Berkem Développement (⑫):

- for the benefit of T&G Distribution for a total of €151,269.06;
- for the benefit of T&G Distribution Spain for an amount of €148,943.37.

These waivers were fully provisioned, given the financial position of the debtor companies and the outlook for these companies. With no opportunity to recover these receivables and the possible need to provide further cash support to the companies concerned justify these waivers, which are part of the sale of the unprofitable and financially troubled T&G division to HOF. In this context, a recovery clause was not justified given the position of the companies concerned.

#### 17.1.5 Lease

HOF and Berkem Développement signed a commercial lease on 2 January 2015 under which HOF leases offices to Berkem Développement with an area of 638 m<sup>2</sup> and 11 outdoor parking spaces comprising an area of 110 m<sup>2</sup>, the whole representing a total area of approximately 748 m<sup>2</sup> located in a real estate complex at 20, rue Jean Duvert, Blanquefort (33290), France, for a period of nine full and consecutive years from 2 January 2015 until 1 January 2024, subject to the payment of an annual rent of €48,000

excluding taxes and charges (13). By an amendment dated 1 January 2016, the parties agreed to increase the annual rent to the sum of €63,000 excluding taxes and charges.

For the financial year ended, the amount of rent paid to HOF by our Company amounted to €63,000 excluding taxes.

HOF and Adkalis signed a commercial lease on 1 September 2016 under which HOF leases laboratory offices to Adkalis with an area of 525 m<sup>2</sup>, and a commercial lease for offices comprising an area of 893 m<sup>2</sup>, the whole representing a total area of approximately 1,418 m<sup>2</sup> located in a real estate complex at 20, rue Jean Duvert, Blanquefort (33290), France, for a period of nine full and consecutive years from 1 September 2016 until 31 August 2025, in return for annual rents of €50,000 excluding taxes and charges and €79,000 excluding taxes and charges, respectively (14).

For the financial year ended, the amount of rent paid to HOF by our Company amounted to €129,000.

Berkem and Adkalis signed a commercial lease dated 1 January 2013 in which Berkem leases to Adkalis a reception area and a meeting room with an area of approximately 33.68 m<sup>2</sup> and a commercial lease dated 1 January 2013 for premises used for storage, workshop and depot, a meeting room, toilets and common areas, in all representing an area of approximately 2,595 m<sup>2</sup> (15). These premises are located in a real estate complex located in Gardonne (24680), Marais Ouest and these leases were signed respectively for a period of nine full and consecutive years from 1 January 2013 and until 31 December 2021 for the first, and for an indefinite term for the second. These leases were entered into for an annual rent of respectively €6,000 excluding charges and taxes and €24,000 excluding charges and taxes.

For the financial year ended, the amount of rent paid to Berkem by Adkalis amounted to €30,000 excluding taxes.

#### 17.1.6 Miscellaneous transactions

During the financial year, Adkalis paid Berkem Développement a fee of €166,800 excluding tax for the operation of the TIB fund (16).

##### 1) Disposal of equity securities

Berkem Développement sold all the securities held in two of its subsidiaries (17):

- The shares of T&G Distribution, appearing on the balance sheet of Berkem Développement for a gross amount of 12,450,000, depreciated in the amount of €12,350,000, were sold to HOF for €100,000, i.e. their carrying amount;
- The shares of T&G BV (a company incorporated under Belgian law), appearing on the balance sheet of Berkem Développement for a gross amount of €2,239,365, depreciated in the amount of €1,339,365, were sold to HOF for €900,000, i.e. their carrying amount.

##### 2) Transactions involving the receivable held on T&G BV

Berkem Développement assigned the receivable held on T&G BV (a company incorporated under Belgian law) in favour of T&G Distribution, for the amount of €498,429.44 (18).

##### 3) Transactions relating to receivables held on T&G Distribution by subsidiaries (19):

- acquisition of a T&G Distribution receivable from LIXOL for €172,505.80;
- acquisition of a T&G Distribution receivable from BERKEM for €279,456.95;
- acquisition of a T&G Distribution receivable represented by a vendor loan from Adkalis for €165,601.86; this vendor loan was subsequently sold to HOF.

##### 4) Transactions carried out with HOF

Following several receivables sales transactions between Group companies and the T&G business unit on 31 December 2020, Berkem Développement sold all of these receivables to HOF for €4,520,216 under a vendor loan (20).

Transactions involving the sale of shares in T&G Distribution and T&G BV on 31 December 2020 under a vendor loan between the selling company, Berkem Développement, and HOF , for €1,000,000 (21).

The HOF current account held by Berkem Développement at 31 December 2020 was reclassified as a loan for €3,259,641.23 (22).

At 31 December 2020, the amount of the receivable held by Berkem Développement on HOF amounted to €8,779,856.23.

On 8 March 2021, Berkem Développement sold this receivable to the Company for its nominal value of €8,779,857 financed by a vendor loan (23).

Also, Lixol sold to the Company a receivable on HOF of €300,000 financed by a vendor loan (24).

As a result of these transactions, HOF owes the Company €9,079,857, and the Company owes Berkem Développement €8,779,857 and Lixol €300,000.

On 8 March 2021, the Company acquired from HOF 5,014,938 ordinary shares of Berkem Développement, representing approximately 12.20% of the share capital and voting rights paid in particular by offsetting against the HOF receivable held by the Company (25).

On the same day, HOF contributed to the Company on a pure and simple basis, 33,485,060 ordinary shares of Berkem Développement, representing approximately 81% of the share capital and voting rights of the latter, through the issuance by the Company of 12,949,103 new ordinary shares to HOF (26).

In addition, Berkem Développement re-invoices HOF for the provision of personnel and insurance costs. At the date of approval of the Registration Document, no agreement formalises this re-invoicing (27).

#### 5) Transactions carried out between Berkem Développement and T&G France<sup>65</sup> (28)

Flows continue to exist between Berkem Développement and T&G France relating to the re-invoicing of personnel, ERP and CRM software and re-invoicing relating to a fleet of vehicles. The details of these flows are as follows:

Type of re-invoicing	Amount at 30 June 2021	Amount at 31 December 2021
Personnel (Head Accountant, HR, Management Control, IT Maintenance)	0	€35,000.00
ERP	0	€8,000.00
CRM	0	€5,000.00
Vehicle fleet	€38,354.33	0

At the date of approval of the Registration Document, no agreement formalises this re-invoicing. Such agreements are currently being drafted.

#### 6) Re-invoicing of a vehicle fleet (29)

<sup>65</sup> In 2020, T&G Distribution chose “T&G France” as its trading name.

Berkem Développement and BERKEM SAS, Adkalis, LIXOL and Eurolyo have re-invoiced for a fleet of vehicles. At the date of approval of the Registration Document, no agreement formalises this re-invoicing.

In the interests of good governance, all agreements requiring a review by the Board of Directors following the transformation of the Company into a public limited company have been reviewed. However, not all of the agreements presented in Section 17 have been audited.

#### **17.2 Statutory Auditors' reports on related-party agreements prepared in respect of financial years ended 31 December 2020, 2019 and 2018**

None

Until 8 March 2021, the Company was a simplified joint stock company with sole shareholder not required to prepare a special report by the Statutory Auditors pursuant to the last paragraph of Article L. 227-10 of the French Commercial Code.

## **18. FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND RESULTS OF THE ISSUER**

### **18.1 Historical financial information**

#### 18.1.1 Historical financial information

The historical financial statements, within the meaning of AMF recommendation No. 2013-08 and restated in the position-recommendation AMF DOC-2021-02, of Groupe Berkem presented in the Registration Document for the financial years ended 31 December 2020, 2019 and 2018 are the financial statements corresponding to the financial statements of Groupe Berkem combined with the consolidated financial statements of Berkem Développement, Berkem, Adkalis, Lixol, and Eurolyo, which will jointly constitute a group that may conduct an IPO on the Euronext Growth Paris market during 2021.

These combined financial statements are presented in section 18.1.5 below.

The Statutory Auditors' audit report on the combined financial statements for the financial years ended 31 December 2020, 2019 and 2018 is presented in section 18.1.6 below.

#### 18.1.2 Change of accounting reference date

Not applicable

#### 18.1.3 Accounting standards

The combined financial statements and financial information of Groupe Berkem presented in section 18.1.5 are prepared in accordance with French GAAP.

#### 18.1.4 Change in accounting standards

Not applicable

#### 18.1.5 Combined financial statements prepared in accordance with French GAAP for the financial years ended 31 December 2020, 2019 and 2018



Groupe **berkem**<sup>®</sup>

**BERKEM**

**COMBINED FINANCIAL STATEMENTS**

**Financial years ended 31 December 2018, 2019, 2020**

GROUPE BERKEM

20, rue Jean Duvert

33290 BLANQUEFORT, FRANCE

## **CAUTIONARY NOTICE**

The combined financial statements of GROUPE BERKEM, concerning the financial years ended 31 December 2018, 2019 and 2020, correspond to the sum of the parent company financial statements of GROUPE BERKEM, and the consolidated financial statements of BERKEM DÉVELOPPEMENT, BERKEM, ADKALIS, etc. LIXOL, and EUROLYO.

The financial statements presented are referred to as “combined” within the meaning of AMF recommendation No. 2013-08.

## **COMBINED FINANCIAL STATEMENTS**

## Combined balance sheet

	December 2020			December 2019	December 2018
	Gross values	Amortisation of Prov.	Net Value	Net Value	Net Value
<b>Intangible assets</b>	<b>22,723</b>	<b>10,262</b>	<b>12,461</b>	<b>11,981</b>	<b>11,383</b>
Establishment costs					
Research & Development costs	1,674	702	972	212	79
Concessions, patents and similar	11,545	7,224	4,321	4,473	4,416
Goodwill-business assets	9,043	2,333	6,710	6,710	6,710
Other intangible assets	3	3			
Assets under construction/Advances & prepayments	458		458	586	178
<b>Property, plant and equipment</b>	<b>32,306</b>	<b>21,246</b>	<b>11,059</b>	<b>9,908</b>	<b>8,628</b>
Land	958	158	799	812	493
Buildings	11,726	7,138	4,587	4,411	3,901
Technical facilities, machinery and equipment	11,883	11,202	681	432	2,858
Other property, plant and equipment	3,130	910	2,220	1,849	103
Equipment under finance leases	4,011	1,838	2,173	1,630	757
Assets under construction/Advances & prepayments	598		598	775	517
<b>Financial assets</b>	<b>9,131</b>	<b>-</b>	<b>9,131</b>	<b>4,600</b>	<b>14,233</b>
Equity investments and related receivables	0		0	0	(0)
Other long-term investments	24		24	24	24
Loans	8,892		8,892	4,330	14,001
Other financial assets	214		214	247	208
<b>Total fixed assets</b>	<b>64,159</b>	<b>31,508</b>	<b>32,651</b>	<b>26,489</b>	<b>34,244</b>
<b>Inventories and work in progress</b>	<b>6,614</b>	<b>297</b>	<b>6,317</b>	<b>6,634</b>	<b>6,184</b>
Raw materials and other supplies	1,698	42	1,656	1,522	1,595
Intermediate and finished goods	4,916	256	4,660	5,112	4,589
Goods					
<b>Receivables</b>	<b>9,479</b>	<b>535</b>	<b>8,944</b>	<b>9,206</b>	<b>9,478</b>
Trade receivables	3,808	365	3,443	3,565	4,596
Receivables from personnel & social organisations	27		27	24	26
Suppliers – advances and deposits paid	53		53	38	39
French State, Income Tax	3,202	170	3,032	3,804	3,232
French State, other duties and taxes	699		699	406	946
Other receivables	1,690		1,690	1,368	639
<b>Miscellaneous</b>	<b>2,760</b>	<b>(1)</b>	<b>2,759</b>	<b>1,507</b>	<b>4,767</b>
Prepaid expenses	189		189	180	216
Marketable securities	70	(1)	68	70	626
Cash and cash equivalents	2,502		2,502	1,257	3,924
<b>Current assets</b>	<b>18,853</b>	<b>831</b>	<b>18,019</b>	<b>17,348</b>	<b>20,429</b>
Deferred expenses	369		369	462	500
Bond redemption premium	450		450	535	551
<b>Accruals, prepayments and sundry assets</b>	<b>819</b>	<b>-</b>	<b>819</b>	<b>996</b>	<b>1,051</b>
<b>TOTAL ASSETS</b>	<b>83,831</b>	<b>32,339</b>	<b>51,489</b>	<b>44,832</b>	<b>55,725</b>

## Combined balance sheet

	December 2020	December 2019	December 2018
	Net Value	Net Value	Net Value
Capital	2,105	2,055	2,055
Additional paid-in capital	2,487	2,487	2,487
Group reserves			
Legal reserves	206	206	206
Other reserves	(6,863)	(8,156)	3,523
Retained earnings		(3)	(3)
Net income for the financial year	1,441	297	770
Other			
<b>Total shareholders' equity (attributable to owners of the parent)</b>	<b>(624)</b>	<b>(3,115)</b>	<b>9,038</b>
<b>Non-controlling interests</b>	<b>461</b>	<b>440</b>	<b>452</b>
Reserves from non-controlling interests	440	452	440
Income from non-controlling interests	21	(12)	12
<b>Total shareholders' equity</b>	<b>(163)</b>	<b>(2,675)</b>	<b>9,490</b>
Non-Group interests			
Other equity	-	-	-
Provisions for contingencies	50	50	50
Provisions for charges	1,107	1,001	998
Goodwill – Liabilities		15	74
<b>Provisions for liabilities and charges</b>	<b>1,157</b>	<b>1,066</b>	<b>1,122</b>
Borrowings and financial debt			
Convertible bonds	16,945	16,166	13,167
Other bonds			
Borrowings and debt from banks	<b>24,782</b>	<b>21,777</b>	<b>23,388</b>
<i>Loans from credit institutions</i>	22,489	19,727	22,547
<i>Loans from credit institutions – Finance leases</i>	2,099	1,603	775
<i>Bank overdrafts</i>	194	448	66
Borrowings and other financial debt	863	91	311
Borrowings and other financial debt – Partners	284	377	410
Trade and related payables	4,307	5,020	5,105
Customers – Advances and down payments received	10	50	7
Social security payables	2,141	1,831	1,772
French State – Income taxes		53	
French State – other duties and taxes	510	256	494
Debts on fixed assets and related accounts	198	-	-
Other debts	452	815	450
Deferred income	5	6	7
Accruals, prepayments and sundry assets			
<b>Debts</b>	<b>50,494</b>	<b>46,441</b>	<b>45,113</b>
<b>TOTAL LIABILITIES</b>	<b>51,489</b>	<b>44,832</b>	<b>55,725</b>

## Combined income statement

	December 2020	December 2019	December 2018
<b>Turnover</b>	<b>40,574</b>	<b>37,766</b>	<b>39,172</b>
Sale of goods			
Production sold (goods)	38,985	36,960	38,297
Production sold (services)	1,589	806	875
Capitalised production	1,383	1,687	1,554
Production in inventory	(196)	523	274
Operating subsidies	1,050	1,109	1,221
Reversals of impairment and provisions	96	73	33
Other income	144	73	25
Other operating income			
<b>Operating income</b>	<b>43,050</b>	<b>41,231</b>	<b>42,278</b>
Purchases consumed			
Purchases of raw materials & other supplies	15,536	14,919	15,765
Change in inventory (raw materials)	(176)	73	85
External expenses	8,254	8,562	8,500
Taxes and duties	897	946	1,008
Personnel expenses			
Wages and salaries	7,201	7,535	6,839
Social security expenses	3,086	3,384	3,144
Depreciation, amortisation and provisions	<b>2,972</b>	<b>2,685</b>	<b>2,533</b>
<i>Depreciation and amortisation of fixed assets</i>	2,449	2,444	2,213
<i>Other allocations</i>	523	241	320
Other operating expenses	430	217	212
<b>Operating expenses</b>	<b>38,199</b>	<b>38,321</b>	<b>38,086</b>
<b>Operating income</b>	<b>4,851</b>	<b>2,910</b>	<b>4,193</b>
Financial income	2,167	327	1,691
Financial expenses	2,317	2,885	4,773
<b>Net financial income</b>	<b>(150)</b>	<b>(2,558)</b>	<b>(3,082)</b>
Financial income and expenses			
<b>Current net income of consolidated companies</b>	<b>4,701</b>	<b>352</b>	<b>1,111</b>
Extraordinary income	229	59	192
Non-recurring expenses	2,336	206	737
<b>Non-recurring income</b>	<b>(2,107)</b>	<b>(147)</b>	<b>(545)</b>
Non-recurring expenses and income			
<b>Net income before income tax and profit-sharing</b>	<b>2,594</b>	<b>205</b>	<b>566</b>
Income tax	(1,146)	(21)	(157)
<b>Net income of consolidated companies</b>	<b>1,447</b>	<b>226</b>	<b>723</b>
Share of net income of equity-accounted companies			
Amortisation of goodwill	(15)	(59)	(59)
<b>Net income of the consolidated group</b>	<b>1,462</b>	<b>285</b>	<b>782</b>
Non-controlling interests	21	(12)	12
<b>Net income (attributable to owners of the parent)</b>	<b>1,441</b>	<b>297</b>	<b>770</b>

### Statement of changes in shareholders' equity

	Capital	Group reserves and retained earnings	Other equity	Additional paid-in capital	Net income for the financial year	Shareholders' equity attributable to owners of the parent	Shareholders' equity attributable to non-controlling interests	Total
<b>Opening position December 2018</b>	<b>2,055</b>	<b>3,850</b>	<b>0</b>	<b>2,487</b>	<b>376</b>	<b>8,768</b>	<b>442</b>	<b>9,211</b>
Appropriation of net income N-1		376			(376)	-		-
Dividends paid		(500)				(500)		(500)
Net income 2018					770	770	9	780
Translation differences						-		-
Change in capital						-		-
Other changes						-		-
Change in percentage interest or consolidation scope						-		-
Other changes						-		-
<b>Opening position December 2019</b>	<b>2,055</b>	<b>3,726</b>	<b>0</b>	<b>2,487</b>	<b>770</b>	<b>9,038</b>	<b>452</b>	<b>9,490</b>
Appropriation of net income N-1		770			(770)	-		-
Dividends paid						-		-
Net income 2019					297	297	(12)	285
Change in capital						-		-
Other changes		(12,450)				(12,450)		(12,450)
Change in percentage interest or consolidation scope						-		-
Corrections to retained earnings		(0)				(0)		(0)
<b>Opening position December 2020</b>	<b>2,055</b>	<b>(7,954)</b>	<b>0</b>	<b>2,487</b>	<b>297</b>	<b>(3,115)</b>	<b>440</b>	<b>(2,675)</b>
Appropriation of net income N-1		297			(297)	-		-
Dividends paid						-		-
Net income 2020					1,441	1,441	21	1,462
Change in capital			50			50		50
Other changes		1,000				1,000		1,000
Change in percentage interest or consolidation scope						-		-
Corrections to retained earnings		0				0		0
<b>Closing position December 2020</b>	<b>2,055</b>	<b>(6,657)</b>	<b>50</b>	<b>2,487</b>	<b>1,441</b>	<b>(624)</b>	<b>461</b>	<b>(162)</b>

“Other changes” are explained in note “2.3 Combination methods”.

## Cash flow statement

	December 2020	December 2019	December 2018
Net income of the consolidated group	1,462	285	782
Calculated expenses	2,737	3,510	4,029
Reversals of calculated expenses	(15)	201	1,933
Capital gains and losses on asset disposals, net of tax	(21)	(0)	(41)
Change in deferred tax	313		
Other transactions with no cash impact	1,642		
Lease-back transactions not cashed		913	
<b>Cash flow</b>	<b>6,118</b>	<b>2,681</b>	<b>2,837</b>
Change in inventories	318	(451)	(189)
Change in customer accounts receivable	3,645	85	4,186
Change in trade payables	4,1169	3,817	6,228
<b>Change in working capital requirement</b>	<b>(154)</b>	<b>(4,183)</b>	<b>(2,231)</b>
<b>Net cash flow from operating activities</b>	<b>5,964</b>	<b>(1,502)</b>	<b>607</b>
Acquisitions of			
<i>Intangible assets</i>	(1,144)		
<i>Property, plant and equipment</i>	(3,025)	(5,241)	(2,470)
<i>Financial assets</i>	(16)	(39)	(36)
Change in debt on fixed assets (excluding impact of vendor loan)	198		(20)
Disposals of fixed assets	107	6	195
Vendor loan on disposals of financial assets	0		
Reduction in other financial assets	48		
Impact of changes in scope			(286)
<b>Net cash flow from investments</b>	<b>(3,833)</b>	<b>(5,274)</b>	<b>(2,616)</b>
Dividends paid during the financial year			(500)
Capital increases/reductions	50		
Bond issues	5,623	5,849	33,457
Bond issuance costs			(584)
Bond redemptions	(2,456)	(4,909)	(27,380)
Change in current accounts	670	2,230	(2,402)
Change in vendor loans	(4,520)		
Net change in bank overdrafts	2		
<b>Net cash flow from financing activities</b>	<b>(632)</b>	<b>3,170</b>	<b>2,591</b>
Impact of exchange rate fluctuations			
<b>Change in cash position</b>	<b>1,499</b>	<b>(3,606)</b>	<b>581</b>
Opening cash	879	4,485	3,904
Closing cash	2,377	879	4,485

\*The reclassification of the operating receivables of T&G DISTRIBUTION, T&G BV and T&G SPAIN as financial assets has not been restated in the combined cash flow statement.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

### 1. Significant events

#### 1.1. 2018 Financial year

##### **BERKEM DÉVELOPPEMENT**

In the course of the 2018 financial year, all of the bonds with stock warrants and convertible bonds subscribed by SIPAREX and NOVI 2 were fully redeemed, as well as the senior bank debt arranged in 2015.

This refinancing operation resulted in the issue of:

- a tranche of CB of €12,600 thousand fully subscribed by NOVI 2;
- new senior debt of €17,000 thousand; and
- a revolving credit line of €3,000 thousand.

Senior debt is carried by Crédit Agricole (40%) as well as Caisse d'Épargne (33%) and Banque Populaire (27%). The maturity of all of these liabilities is seven years.

Bond issuance costs (€584 thousand) are amortised on a straight-line basis and not *prorata temporis* for the first financial year, over the term of the bond, i.e. seven years.

A dispute is ongoing regarding the BERKEM DÉVELOPPEMENT Research Tax Credit for financial year 2016, for €170 thousand. Given the risk relating to the recovery of this tax receivable, it was fully impaired in the 2018 financial statements.

##### **BERKEM**

In February 2018, BERKEM SAS acquired shares in EUROLYO. This company, which uses freeze-drying techniques, completes BERKEM's sub-contracted work offering.

With the arrival of the pulsed column at BERKEM, the Group expects to significantly increase the production of grape OPCs.

#### 1.2. 2019 Financial year

There were no significant events for the 2019 financial year.

#### 1.3. 2020 Financial year

##### 1.3.1. Covid-19 health crisis

The Covid-19 health crisis and the enactment of the state of health emergency by law No. 2020-29 of 23 March 2020 are events that had a significant impact on the amount of assets and liabilities, expenses and income recorded respectively in the balance sheet and income statement at 31 December 2020 of the various companies included in the scope. The main impacts are discussed below.

The following items had an impact on the presentation of the consolidated financial statements:

##### **BALANCE SHEET – LIABILITIES**

The impacts of the Covid-19 health crisis on balance sheet – liabilities are as follows:

- deferral of URSSAF contributions;
- the Group successfully applied for State-guaranteed loans;
- deferral of loan payments.

Companies	Nature of impacts	Amounts (in €K)
	<b>Deferral of URSAFF contributions</b>	<b>515</b>
BERKEM DÉVELOPPEMENT	February, March and April 2020 (12-month payment schedule from May 2021)	156
ADKALIS	February, March and April 2020	186
BERKEM	March and April 2020	123



EUROLYO	March and April 2020	19
LIXOL	March and April 2020	31

State-guaranteed loans and <i>Atout</i> loans granted		3,200
BERKEM DÉVELOPPEMENT	State-guaranteed loan and <i>Atout</i> loan	1,000
ADKALIS	State-guaranteed loan	600
BERKEM	State-guaranteed loan	1,100
LIXOL	State-guaranteed loan	500

Deferral of loan and finance lease repayments		2,007
	Senior Loan Tranche A	929
BERKEM DÉVELOPPEMENT	BPI loan	200
	Deferral of cash interest on IDINVEST OCAs	780
	Crédit Coopératif: deferral of loan repayments by six months	53
BERKEM	BPI: deferral of interest due	1
	Deferral of finance lease repayments	5
LIXOL	Deferral of loan repayments by six months – Establishment of a new payment schedule	40

<b>Total debt deferred and loans obtained at 31 December 2020</b>		<b>5,722</b>
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## INCOME STATEMENT

The Company applied for and was granted the furlough measures proposed by the Government and necessary to maintain employment. Benefits received were recognised as a deduction from personnel expenses, in accordance with the recommendations of the French Accounting Standards Authority:

Companies	Nature of impacts	Amounts (€K)
	<b>Furlough compensation</b>	<b>355</b>
BERKEM DÉVELOPPEMENT	March to September 2020	56
ADKALIS	March to September 2020	188
BERKEM	March to September 2020	68
LIXOL	March to August 2020	43

### 1.3.2. Other significant items

## BERKEM DÉVELOPPEMENT

### ACQUISITIONS AND DISPOSALS OF INVESTMENT SECURITIES

BERKEM DÉVELOPPEMENT sold all the securities held in two of its subsidiaries:

- the securities of T&G DISTRIBUTION were sold to HOF on 31 December 2020 for their net carrying amount, i.e. €100 thousand;
- the shares of T&G BV (a company incorporated under Belgian law) were sold to HOF on 31 December 2020 for their net carrying amount, i.e. €900 thousand;

In the context of the preparation of the combined financial statements, this disposal was reclassified at the beginning of the 2018 financial year (see section 2.3).

### DEBT WAIVERS

Two debt waivers were granted by BERKEM DÉVELOPPEMENT:

- for the benefit of T&G DISTRIBUTION for a total of €151 thousand;
- for the benefit of T&G DISTRIBUTION SPAIN for an amount of €149 thousand.

### *TRANSACTIONS CARRIED OUT WITH HOF*

Following several receivables sales transactions between Group companies and the T&G business unit, BERKEM DÉVELOPPEMENT sold all of these receivables to HOF for €4,520 thousand under a vendor loan.

The two sales transactions mentioned above were covered by a vendor loan between the seller, BERKEM DÉVELOPPEMENT, and the purchaser, HOF, for a total amount of €1,000 thousand.

The HOF current account held by BERKEM DÉVELOPPEMENT at 31 December 2020 was reclassified as a loan for an amount of €3,260 thousand.

In total, at 31 December 2020, the receivable held by the Group on HOF amounted to €8,780 thousand.

### **ADKALIS**

ADKALIS carried out several debt waiver transactions during the period. In the context of the preparation of the combined financial statements, this transaction was recorded as operating expenses in the income statement for the period:

- for the benefit of T&G DISTRIBUTION for a total of €1,136 thousand;
- for the benefit of T&G DISTRIBUTION SPAIN for an amount of €172 thousand.

### **BERKEM**

BERKEM granted a debt waiver to T&G DISTRIBUTION during the period for an amount of €396 thousand. In the context of the preparation of the combined financial statements, this transaction was recorded as an exceptional expense in the income statement for the period.

### **LIXOL**

LIXOL sold the receivable from T&G DISTRIBUTION to BERKEM DÉVELOPPEMENT for the sum of €173 thousand; this sales transaction is covered by a vendor loan recorded in LIXOL's assets for an amount of €173 thousand.

## **2. Standards and procedures**

### **2.1. Accounting standards**

The combined financial statements include the sum of:

- the parent company financial statements of GROUPE BERKEM, which will become the Group's holding company; and
- the consolidated financial statements of the BERKEM DÉVELOPPEMENT group with the exception of T&G DISTRIBUTION, T&G BV and T&G DISTRIBUTION SPAIN, which were sold on 31 December 2020.

The provisions of the General Chart of Accounts (parent company financial statements) and Regulation No. 99-02 of the French Accounting Regulation Committee (consolidated financial statements) have been applied to the combined financial statements.

The combined financial statements comply with the accounting principles defined below.

The following principles were applied:

- prudence;
- independence of financial years;
- consistency of accounting policies from one financial year to another;
- business continuity.

For the combined financial statements, the “Group” applies the preferential methods recommended under CRC Regulation 99-02:

- capitalisation of finance leases;
- recognition of retirement benefit obligations and similar benefits;
- capitalisation of bond issuance costs.

## 2.2. Presentation and comparability of financial statements

The financial statements are presented in euros. The euro is the functional currency of the Group's parent company, GROUPE BERKEM. All financial data are rounded to the nearest thousand euros.

The financial statements of the various combined companies are closed at 31 December. The financial year has a duration of 12 months. CRC Regulation 99-02 stipulates that the date of entry of a company into the consolidation scope means the date on which the Group took control of it.

## 2.3. Combination methods

The combined financial statements for the financial years ended on 31 December 2018, 2019 and 2020 were prepared excluding the T&G business unit. The income from the disposal of the T&G DISTRIBUTION and T&G BV investment securities was anticipated at the opening of the 2018 financial statements.

The entries related to this restatement were recorded in the combined financial statements for each period concerned:

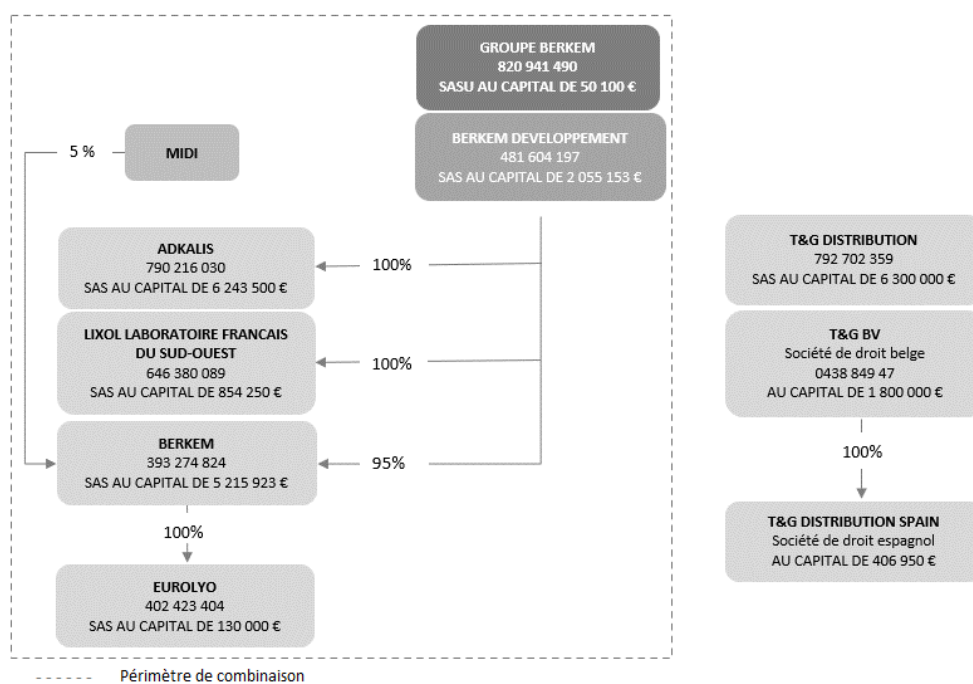
- Cancellation of investment securities in T&G business units for an amount of €2,239 thousand at the opening of 2018 and €12,450 thousand in 2019;
- Cancellation of impairments relating to these investment securities for an amount of €11,650 thousand in 2019 and €2,039 thousand in 2020;
- Reclassification of receivables related to T&G investments as loans over all periods;
- Cancellation of the proceeds from the sale of the investment securities of the T&G business unit for €1 million in 2020, insofar as the income from the disposal of these equity securities was anticipated at the beginning of 2018.

However, the transactions carried out by the entities included in the combination with the T&G business unit are maintained, T&G being considered a third party to the group.

### 2.3.1. Presentation of the combined scope of consolidation

For the financial years 2018, 2019 and 2020, the Group's organisation chart remained the same, with the exception of EUOLYO, which was acquired in 2018.

The company GROUPE BERKEM did not yet have an equity stake in the Group at 31 December 2020. In the context of the preparation of the combined financial statements, the securities of T&G Distribution, T&G BV and T&G Distribution Spain were considered as sold on 1 January 2018.



	<b>GRUPE BERKEM</b> 820 941 490 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €50,100	
5% MIDI	<b>BERKEM DEVELOPPMENT</b> 481 604 107 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €2,055,153	
<b>ADKALIS</b> 790 216 030 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €6,243,500	100%	<b>T&amp;G DISTRIBUTION</b> 792 702 359 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €6,300,000
<b>LUXOL LABORATOIRE FRANÇAIS            DU SUD-OUEST</b> 646 380 089 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €854,250	100%	<b>T&amp;G BV</b> A company incorporated under Belgian law 0438 849 47 WITH A SHARE CAPITAL OF €1,800,000
<b>BERKEM</b> 393 274 824 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €5,215,923	95%	100%
100% <b>EUROLYO</b> 402 423 404 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €130,000		<b>T&amp;G DISTRIBUTION SPAIN</b> A company incorporated under Spanish law WITH A SHARE CAPITAL OF €406,950
Scope of combination		

### 2.3.2. Combination methods

The parent company financial statements of GROUPE BERKEM have been combined with the consolidated financial statements of the BERKEM DÉVELOPPEMENT group, with the exception of T&G DISTRIBUTION, T&G BV and T&G DISTRIBUTION SPAIN.

All companies are currently controlled exclusively by BERKEM DÉVELOPPEMENT. Controlled entities are all fully consolidated.

### 2.3.3. Business assets: goodwill and business goodwill

In accordance with regulatory provisions, goodwill represents the difference between the acquisition cost of equity interests and the acquiring company's share in the total valuation of assets and liabilities identified at the acquisition date.

This item therefore records differences resulting from an acquisition that could not be allocated to a fixed asset item.

Business assets, for which identifiable items have been recognised separately, are treated as goodwill on consolidation when they do not meet the identification criteria established by CRC Regulation 99-02.

Positive goodwill is maintained as an asset under “Business assets”.

The Group has applied ANC regulation 2015-06 introducing the notion of unlimited useful life for intangible assets. Indeed, an unlimited useful life has been retained.

Units	2020 Financial year			2019 Financial year			2018 Financial year		
	Interest rate	% control	Consolidation method	Interest rate	% control	Consolidation method	Interest rate	% control	Consolidation method
BERKEM DÉVELOPPEMENT	100%	100%	Parent company	100%	100%	Parent company	100%	100%	Parent company
ADKALIS	100%	100%	Full consolidation	100%	100%	Full consolidation	100%	100%	Full consolidation
BERKEM	95.01%	95.01%	Full consolidation	95.01%	95.01%	Full consolidation	95.01%	95.01%	Full consolidation
EUROLYO	100%	95.01%	Full consolidation	100%	95.01%	Full consolidation	100%	95.01%	Full consolidation
LIXOL	100%	100%	Full consolidation	100%	100%	Full consolidation	100%	100%	Full consolidation

Analysis of the physical, technical, legal or economic criteria for each asset does not indicate a finite useful life. Based on these criteria, no intangible asset has a limited period of consumption of the expected economic benefits.

The Group's intangible assets are not backed by contracts or instruments with a limited useful life or protection.

In accordance with ANC regulation 2015-06, the Company performs an impairment test each year for goodwill, whether or not there is an indication of impairment. The results of these tests do not give rise to an impairment loss.

In the event of a negative difference, negative goodwill is recognised as a provision for risks and charges in the balance sheet, and reversed on consolidation over a period of 12 to 15 years.

### 3. Valuation methods and rules

#### 3.1. Group management judgment and estimates

The preparation of the financial statements requires, on the part of management, the use of judgement, estimates and assumptions that have an impact on the amounts of assets and liabilities at the closing date as well as on the items of income for the period. These estimates take into account economic data that may vary over time and involve uncertainties.

The estimates and underlying assumptions are made based on past experience and other factors considered reasonable in the circumstances. They serve as a basis for the exercise of the judgement required to determine the carrying amounts of assets and liabilities, which cannot be obtained directly from other sources. Actual values may differ from estimated values.

Estimates and underlying assumptions are reviewed on an ongoing basis.

The impact of changes in accounting estimates is recognised during the period of the change if it only affects that period, or during the period of the change and subsequent periods if these are also affected by the change.

They mainly concern the assessment of the value of fixed assets, in particular intangible items (goodwill, business goodwill, capitalised research and development costs) and operating assets (deferred tax assets, for example).

### 3.2. Impairment losses (applicable to all intangible assets and property, plant and equipment)

When there is any indication that the present value of an asset (intangible asset or property, plant and equipment) may be less than its net carrying amount, then the present value of the asset is measured and, if applicable, an impairment loss is recognised.

Indicators of impairment mainly come from:

- A decrease in market values;
- Technical obsolescence or a planned change in their use.

Whether or not there is an indication of impairment, goodwill and intangible assets with an indefinite useful life are tested annually for impairment, comparing their carrying amount to their present value. Present value is generally based on market value. The present value is the higher of the value in use and the market value less costs of disposal. The value in use retained is equal to the amount of future cash flows discounted according to a Weighted Average Cost of Capital (WACC).

Two business sectors make up the Group: “Formulation sector” and “Plant extraction sector”. The budget information enabled cash flows by segment to be generated. Property, plant and equipment, goodwill, business goodwill and working capital requirements (WCR) have been allocated to the two groups of assets identified.

Future cash flows are based on management’s five-year forecasts plus a terminal value based on cash flow forecasts discounted by the WACC. The discount rates used are between 10.2% and 11.6% over the period.

If an impairment loss is recognised, goodwill is written down first. Any remaining balance is then allocated to other assets in proportion to their net carrying amount at the balance sheet date. When the circumstances leading to the recognition of an asset impairment no longer exist, the corresponding impairment loss is reversed, with the exception of that relating to goodwill.

No impairment was recognised for the 2018, 2019 and 2020 financial years.

### 3.3. Finance leases

Transactions carried out by means of a finance lease are restated according to the same terms and conditions as a credit acquisition for their original lease value.

Depreciation is in accordance with the aforementioned methods and rates, and the tax impact of this restatement is taken into account.

In France, this mainly concerns finance leases and leases with an option to purchase the vehicles. Leases for industrial equipment have also been signed in ADKALIS, BERKEM and LIXOL during financial years 2018, 2019 and 2020. Significant assets acquired under finance leases are capitalised. The liability equal to the outstanding capital is recognised under financial debt.

Fixed assets are depreciated, with some exceptions, according to the depreciation periods used by the Group. In practice, for vehicle leases, residual values on equipment are very low (often  $\leq 1\%$  of the original value) and assets with an actual useful life close to the term of the lease. Furthermore, depreciation periods are often adjusted to the lease term. For industrial equipment leases, the depreciation period, aligned with the useful life, differs from that of the lease. The rental payments are restated as depreciation and financial expenses:

	2020 Financial year	2019 Financial year	2018 Financial year
Cancellation of rental payments	420.56	538.88	514.45
- Recognition of financial expenses	(45.32)	(16.10)	(16.27)
- Depreciation charges	(315.17)	(515.46)	(505.24)
<b>Impact on net income</b>	<b>0.08</b>	<b>7.32</b>	<b>(7.05)</b>

GROUPE BERKEM is not affected by this type of lease.

### 3.4. Deferred tax status

In accordance with the provisions of CRC 99-02, deferred taxes are recognised in the event of:

- temporary differences between the tax value and carrying amounts of assets and liabilities;
- tax loss carryforwards.

Deferred taxes are calculated using the liability method, applying the latest tax rate in force for each company. In accordance with the legislation, the corporate income tax rate was adjusted in 2020 to take into account the reduction in the rate from 28% to 25%.

The recovery of deferred tax assets on previous losses has been estimated by management, on the basis of the forecast budgets established to date, by applying the rates mentioned above. A table showing deferred taxes related to the use of tax loss carryforwards is presented in the note “Other receivables” on page 31 of the notes to the financial statements.

Deferred tax assets and liabilities are offset for the same taxable entity. In accordance with CRC Regulation 99-02, deferred tax assets are only taken into account:

- if their recovery does not depend on future results; or
- if their recovery is probable due to the existence of an expected taxable profit during their settlement period.

No deferred tax was calculated for GROUPE BERKEM, the items involved not being significant.

### 3.5. Factoring

Transactions recorded with the factor show a receivable of €1,361 thousand at 31 December 2020, compared with €1,236 thousand in 2019 and €1,159 thousand in 2018, corresponding to the amounts retained for the guarantee fund, reserves for year-end bonuses and the replenishment account.

In addition, the total amount of receivables sold at 31 December 2020 and not recovered was €4,565 thousand, compared with €3,561 thousand in 2019 and €3,969 thousand in 2018. In accordance with the general chart of accounts, these amounts do not appear in the Group’s assets to the extent that they have been derecognised.

These transactions do not concern GROUPE BERKEM, which does not use factoring.

### 3.6. Retirement benefit obligations and similar benefits

The amount of rights to be acquired by employees for the calculation of retirement benefits is determined according to their length of service and taking into account a percentage likelihood of being employed by the Company at retirement age.

These costs are all provisioned and taken into account in the income statement over the duration of the employee's service for the entities BERKEM DÉVELOPPEMENT, BERKEM, ADKALIS, LIXOL and EUROLYO, the Group’s entities concerned by such obligations and for which the valuation can be considered significant. Note that GROUPE BERKEM has no such obligations.

The method used by the Group is prospective. It takes into account the obligations outsourced by BERKEM under an end-of-career insurance contract, for €67 thousand at 31 December 2018 and 2019, and €73 thousand at 31 December 2020. The assumptions used are as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>Financial</b>	<b>Financial</b>	<b>Financial</b>
	<b>year</b>	<b>year</b>	<b>year</b>
Discount rate	0.35%	0.77%	1.57%
Employee turnover rate	Managers 1% – Employees 5%		
Wage growth	2% constant		
Payroll tax rate	Managers 45% – Employees 40%		

Retirement age	Managers 67 years – Employees 67 years
Mortality table	TG 05
Collective agreement	Chemistry

### 3.7. Distinction between non-recurring income and recurring income

Recurring income is income from activities in which the Company is engaged in the course of its business as well as ancillary activities that it undertakes on an incidental basis or as an extension to its normal activities.

Non-recurring income is the result of unusual events or transactions that are distinct from its normal activities and are not expected to occur frequently or regularly.

## 4. Sector and geographic information

### 4.1. Overview of business sectors

The Group deploys its industrial know-how and innovation through two areas of expertise: plant extraction and formulation.

As the management has chosen to organise the Group according to the markets addressed and the distribution methods of the related products and services, a sector may, therefore, cover various geographical areas and several activities, provided that the economic characteristics of the activities, grouped within the same sector, are substantially the same.

Plant Extraction represented 35% of combined turnover in 2020. Through its subsidiary, BERKEM, the Group extracts the natural ingredients of interest, carefully selected for their composition of active molecules and their benefits. BERKEM targets active ingredients such as polyphenols, natural antioxidants extracted from grape seeds or pine bark. These active products and ingredients are then offered to manufacturers in the nutraceutical, cosmetics and agrifoods sectors for the formulation of their products.

Since 2018, through its subsidiary EUROLYO, the Group also offers freeze-drying services that make it possible to preserve all the organoleptic and nutritional qualities of the food as well as the fragile active ingredients intrinsic to the products, while extending the shelf life and facilitating transport and storage.

Formulation represented 65% of combined turnover in 2020. Through its subsidiaries ADKALIS and LIXOL, the Group carries out formulation and reaction of active chemical ingredients designed to improve the performance of construction materials (in particular the timber industry) and the synthesis of resins for the paint and printing ink industries.

These two areas of expertise converge today to develop a new technology that is unique in the chemical world: “plant-based boosters”, plant extracts capable of promoting a wide spectrum of efficacy of synthetic products while reducing their risks for people and the environment. The Plant Extraction business provides its expertise in the identification of the molecules of interest in various plants, while the Biocide Formulation division works on optimising use of the precise dose of molecules from synthesis chemistry, thanks to the synergy between the two technologies.

### 4.2. Segment data

#### 2018 Financial year

Balance sheet data	Formulation	Plant extraction	Total
Goodwill and business assets	6,582	128	<b>11,383</b>
Other intangible assets	4,129	544	
Property, plant and equipment	988	7,641	<b>8,628</b>
Working capital requirement	3,980	3,887	<b>7,868</b>
Cash and cash equivalents	2,510	1,975	<b>4,485</b>



Financial liabilities	18,265	18,947	<b>37,211</b>
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<b>Income statement data</b>	<b>Formulation</b>	<b>Plant extraction</b>	<b>Total</b>
Turnover (detailed in the following point)	25,055	14,117	<b>39,172</b>
Gross profit profit	3,522	3,357	<b>6,879</b>
Net depreciation and amortisation	(893)	(1,607)	<b>(2,500)</b>
Operating income	2,531	1,662	<b>4,193</b>

#### **2019 Financial year**

<b>Balance sheet data</b>	<b>Formulation</b>	<b>Plant extraction</b>	<b>Total</b>
Goodwill and business assets	6,582	128	<b>11,981</b>
Other intangible assets	4,458	813	
Property, plant and equipment	2,476	7,432	<b>9,908</b>
Working capital requirement	3,546	3,901	<b>7,447</b>
Cash and cash equivalents	845	34	<b>879</b>
Financial liabilities	19,137	18,827	<b>37,963</b>

<b>Income statement data</b>	<b>Formulation</b>	<b>Plant extraction</b>	<b>Total</b>
Turnover (detailed in the following point)	24,821	12,945	<b>37,766</b>
Gross operating profit	2,713	2,328	<b>5,041</b>
Net depreciation and amortisation	(951)	1,660	<b>709</b>
Operating income	2,116	794	<b>2,910</b>

## 2020 Financial year

Balance sheet data	Formulation	Plant extraction	Total
Goodwill and business assets	6,582	128	<b>12,461</b>
Other intangible assets	4,869	882	
Property, plant and equipment	2,640	8,420	<b>11,059</b>
Working capital requirement	3,859	3,932	<b>7,791</b>
Cash and cash equivalents	1,339	1,037	<b>2,376</b>
Financial liabilities	20,657	22,022	<b>42,679</b>

Income statement data	Formulation	Plant extraction	Total
Turnover (detailed in the following point)	26,254	14,320	<b>40,574</b>
Gross operating profit	4,291	3,722	<b>8,014</b>
Net depreciation and amortisation	(1,016)	(1,860)	<b>(2,876)</b>
Operating income	3,294	1,558	<b>4,851</b>

### 4.3. Breakdown of turnover by business segment and geographical area

Turnover is broken down by business segment as follows:

	2020 Financial year		2019 Financial year		2018 Financial year	
	In thousands of euros	As % of turnover	In thousands of euros	As % of turnover	In thousands of euros	As % of turnover
Food & Sub-contracted work	2,483	6.10%	2,169	5.70%	1,702	4.30%
Cosmetics	4,369	10.80%	3,848	10.20%	4,083	10.40%
Nutritional supplements	6,971	17.20%	6,480	17.20%	8,020	20.50%
Other	497	1.20%	447	1.20%	312	0.80%
<b>Plant extraction</b>	<b>14,320</b>	<b>35.30%</b>	<b>12,945</b>	<b>34.30%</b>	<b>14,117</b>	<b>36.00%</b>
Construction	15,076	37.20%	14,770	39.10%	15,539	39.70%
Coatings	6,106	15.00%	5,527	14.60%	5,237	13.40%
Pest Control	4,415	10.90%	4,524	12.00%	4,279	10.90%
Boosters	547	1.30%	-	-	-	-
Other	110	0.30%	-	-	-	-
<b>Formulation</b>	<b>26,254</b>	<b>63.10%</b>	<b>24,821</b>	<b>65.70%</b>	<b>25,055</b>	<b>64.00%</b>
<b>Total turnover</b>	<b>40,574</b>	<b>100.00%</b>	<b>37,766</b>	<b>100.00%</b>	<b>39,172</b>	<b>100.00%</b>

Turnover is broken down by geographic area as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
France	29,014	28,092	27,186
Europe	8,992	8,151	10,543
Export	2,568	1,523	1,443
<b>Total turnover</b>	<b>40,574</b>	<b>37,766</b>	<b>39,172</b>

## 5. Additional balance sheet information

### 5.1. Intangible assets

	December 2017	Acquisitions	Disposals	Allocations in the financial year	Reversals in the financial year	Change in scope	Reclassification	December 2018
Concessions, patents	8,542	827					1,084	10,453
Business assets	8,915					128		9,043
Development costs	691							691
Other intangible assets	3							3
Intangible assets in progress		178						178
<b>Total intangible assets</b>	<b>18,150</b>	<b>1,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128</b>	<b>1,084</b>	<b>20,368</b>
Concessions, patents	(5,624)			(467)			53	(6,038)
Business assets	(2,333)							(2,333)
Depreciation/impairment of development expenses	(591)			(20)				(611)
Other intangible assets	(3)							(3)
<b>Total depreciation, amortisation and provisions</b>	<b>(8,551)</b>	<b>-</b>	<b>-</b>	<b>(487)</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>(8,985)</b>
<b>Total Net Value</b>	<b>9,599</b>	<b>1,005</b>	<b>-</b>	<b>(487)</b>	<b>-</b>	<b>128</b>	<b>1,137</b>	<b>11,383</b>

	December 2018	Acquisitions	Disposals	Allocations in the financial year	Reversals in the financial year	Change in scope	Reclassification	December 2019
Concessions, patents	10,453	431					217	11,102
Business assets	9,043							9,043
Development costs	691	141					14	845
Other intangible assets	3	0						3
Intangible assets in progress	178	362					46	586
<b>Total intangible assets</b>	<b>20,368</b>	<b>934</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>277</b>	<b>21,579</b>
Concessions, patents	(6,038)			(591)				(6,629)
Business assets	(2,333)							(2,333)
Depreciation/impairment of development expenses	(611)			(22)				(633)
Other intangible assets	(3)			(0)				(3)
<b>Total depreciation, amortisation and provisions</b>	<b>(8,985)</b>	<b>-</b>	<b>-</b>	<b>(613)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,598)</b>
<b>Total Net Value</b>	<b>11,383</b>	<b>934</b>	<b>-</b>	<b>(613)</b>	<b>-</b>	<b>-</b>	<b>277</b>	<b>11,981</b>

	December 2019	Acquisitions	Disposals	Allocations in the financial year	Reversals in the financial year	Change in scope	Reclassification	December 2020
Concessions, patents	11,102	443						11,545
Business assets	9,043							9,043
Development costs	845	243					586	1,674
Other intangible assets	3							3

Intangible assets in progress	586	458					(586)	458
<b>Total intangible assets</b>	<b>21,579</b>	<b>1,144</b>	-	-	-	-	-	<b>22,723</b>
Concessions, patents	(6,629)			(595)				(7,224)
Business assets	(2,333)							(2,333)
Depreciation/impairment of development expenses	(633)			(69)				(702)
Other intangible assets	(3)			(0)				(3)
<b>Total depreciation, amortisation and provisions</b>	<b>(9,598)</b>	-	-	<b>(664)</b>	-	-	-	<b>(10,262)</b>
<b>Total Net Value</b>	<b>11,981</b>	<b>1,144</b>	-	<b>(664)</b>	-	-	-	<b>12,461</b>

Intangible assets consist of development costs, software, patents, business assets and goodwill. The methods and depreciation periods used for other intangible assets are as follows:

- Marketing authorisations (MA): 10 years on a straight-line basis;
- Patents: 20 years on a straight-line basis;
- Development costs: three to five years on a straight-line basis;
- Software: three to five years on a straight-line basis.

The combination of GROUPE BERKEM's parent company financial statements has no impact on intangible assets.

Changes in the scope of consolidation corresponded, in February 2018, to the acquisition of EUROLYO by BERKEM.

### 5.1.1. Goodwill

	2020 Financial year			2019 Financial year			2018 Financial year		
	Gross	Depreciation, amortisation and Impairment	Net Value	Gross	Depreciation, amortisation and Impairment	Net Value	Gross	Depreciation, amortisation and Impairment	Net Value
<b>Goodwill – assets</b>	<b>2,787</b>	<b>-</b>	<b>2,787</b>	<b>2,787</b>	<b>-</b>	<b>2,787</b>	<b>2,787</b>	<b>-</b>	<b>2,787</b>
EUROLYO	128	-	128	128	-	128	128	-	128
LIXOL	2,659	-	2,659	2,659	-	2,659	2,659	-	2,659
<b>Business assets treated as goodwill</b>	<b>4,346</b>	<b>2,333</b>	<b>2,013</b>	<b>4,346</b>	<b>2,333</b>	<b>2,013</b>	<b>4,346</b>	<b>2,333</b>	<b>2,013</b>
ADKALIS	3,345	(1,866)	1,479	3,345	(1,866)	1,479	3,345	(1,866)	1,479
BERKEM DÉVELOPPEMENT – TIB fund	1,001	(467)	534	1,001	(467)	534	1,001	(467)	534
<b>Goodwill and business assets treated similarly</b>	<b>7,132</b>	<b>2,333</b>	<b>4,800</b>	<b>7,132</b>	<b>2,333</b>	<b>4,800</b>	<b>7,132</b>	<b>2,333</b>	<b>4,800</b>
<b>Goodwill – liabilities</b>	<b>836</b>	<b>836</b>	<b>-</b>	<b>836</b>	<b>(821)</b>	<b>15</b>	<b>836</b>	<b>762</b>	<b>74</b>
BERKEM	836	836	-	836	(821)	15	836	762	74

## **EUROLYO**

BERKEM acquired EUROLYO on 28 February 2018. This transaction generated goodwill of €128 thousand.

## **LIXOL**

The acquisition of 100% of the shares in LIXOL by BERKEM DÉVELOPPEMENT generated goodwill of €2,659 thousand.

## **ADKALIS**

The SARPAP and TERMIFILM business goodwill, recorded in ADKALIS's balance sheet for respectively €1,145 thousand and €2,200 thousand were treated as goodwill on consolidation.

## **BERKEM DÉVELOPPEMENT: TIB fund**

The TRAITEMENT INDUSTRIEL DU BOIS (TIB) business goodwill, which is recorded on BERKEM DÉVELOPPEMENT's balance sheet for €1,001 thousand, was treated as goodwill on consolidation.

## **BERKEM**

BERKEM DÉVELOPPEMENT successively acquired 51.30% of the securities of BERKEM in 2005, an additional 29.07% in 2008, and again 6.47% in 2011, to finally hold 100% of the subsidiary's capital after the purchase of the remaining 13.16% in 2012. These transactions generated negative goodwill totalling €836 thousand. The entrance of a minority interest holder in BERKEM in 2015 brought the percentage holding to 95.01%. This did not impact goodwill in accordance with CRC Regulation 99-02. The negative goodwill in 2005 is amortised over a period of 15 years, and its residual value was nil at 31 December 2020.

### 5.1.2. Business goodwill

## **ADKALIS**

The Company's business goodwill corresponds to the XYLOPHÈNE assets, acquired for €1,250 thousand, and the TERMIPROTECT assets, acquired for €500 thousand, as well as the related acquisition costs, for respectively €115 thousand and €46 thousand.

	2020 Financial year			2019 Financial year			2018 Financial year		
	Gross	Depreciation, amortisation and Impairment	Net Value	Gross	Depreciation, amortisation and Impairment	Net Value	Gross	Depreciation, amortisation and Impairment	Net Value
<b>Business assets</b>	<b>1,910</b>		<b>1,910</b>	<b>1,910</b>		<b>1,910</b>	<b>1,910</b>		<b>1,910</b>
ADKALIS	1,910		1,910	1,910		1,910	1,910		1,910

## 5.2. Property, plant and equipment

	December 2017	Acquisitions	Disposals	Allocations in the financial year	Reversals in the financial year	Reclassification	Change in scope	Corrections to retained earnings	December 2018
Land	398								398
Improvements to land	216	16	(4)						228
Buildings	9,979	50							10,029
Technical facilities, machinery and equipment	10,732	2,263	(171)			(251)			12,573
Technical facilities, machinery and equipment under finance lease	1,154	547							1,701
Other property, plant and equipment	1,073	333	(510)						897
Property, plant and equipment in progress	1,084	266				(833)			517
<b>Total property, plant and equipment</b>	<b>24,637</b>	<b>3,475</b>	<b>(685)</b>	<b>-</b>	<b>-</b>	<b>(1,084)</b>	<b>-</b>	<b>-</b>	<b>26,343</b>
Land									-
Depreciation/impairment of site improvements	(26)		4	(11)					(133)
Buildings	(5,684)			(254)		(190)			(6,128)
Technical facilities, machinery and equipment	(8,238)		68	(885)		(660)			9,715
Technical facilities, machinery and equipment under finance lease	(423)			(521)					(44)
Other property, plant and equipment	(915)		176	(55)					(794)
<b>Total depreciation, amortisation and provisions</b>	<b>(15,386)</b>	<b>-</b>	<b>248</b>	<b>(1,726)</b>	<b>-</b>	<b>(850)</b>	<b>-</b>	<b>-</b>	<b>(17,714)</b>
<b>Total Net Value</b>	<b>9,251</b>	<b>3,475</b>	<b>(437)</b>	<b>(1,726)</b>	<b>-</b>	<b>(1,934)</b>	<b>-</b>	<b>-</b>	<b>8,628</b>

	December 2018	Acquisitions	Disposals	Allocations in the financial year	Reversals in the financial year	Reclassification	Change in scope	Corrections to retained earnings	December 2019
Land	398	319							717
Improvements to land	228	13							241
Buildings	10,029	975							11,004
Technical facilities, machinery and equipment	12,573	970	(985)			(1,701)			10,856
Technical facilities, machinery and equipment under finance lease	1,701	1,392							3,093
Other property, plant and equipment	897	108	(13)			1,697			2,689
Property, plant and equipment in progress	517	535				(277)			775
<b>Total property, plant and equipment</b>	<b>26,343</b>	<b>4,310</b>	<b>(999)</b>	<b>-</b>	<b>-</b>	<b>(281)</b>	<b>-</b>	<b>-</b>	<b>29,374</b>
Land									-
Depreciation/impairment of site improvements	(133)			(12)					(146)
Buildings	(6,128)			(464)					6,592
Technical facilities, machinery and equipment	(9,715)		75	(784)					(10,424)

Technical facilities, machinery and equipment under finance lease	(944)			(515)			(4)	(1,463)
Other property, plant and equipment	(794)		7	(54)				(840)
<b>Total depreciation, amortisation and provisions</b>	<b>(17,714)</b>	<b>-</b>	<b>82</b>	<b>(1,830)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4) (19,466)</b>

<b>Total Net Value</b>	<b>8,628</b>	<b>4,310</b>	<b>(917)</b>	<b>(1,830)</b>	<b>-</b>	<b>(281)</b>	<b>-</b>	<b>(4) 9,908</b>
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	Decemb er 2019	Acquisit ions	Disposa ls	Allocatio ns in the financial year	Reversal s in the financial year	Reclassificati on	Change in scope	Correcti ons to retained earnings	Decemb er 2020
Land	717								717
Improvements to land	241								241
Buildings	11,004	230				492			11,726
Technical facilities, machinery and equipment	10,856	866	(59)			221			11,883
Technical facilities, machinery and equipment under finance lease	3,093	922	(369)			366			4,011
Other property, plant and equipment	2,689	469	(29)						3,130
Property, plant and equipment in progress	775	537	(3)			(712)			596
Advances and prepayments on property, plant and equipment		2							2
<b>Total property, plant and equipment</b>	<b>29,374</b>	<b>3,025</b>	<b>(460)</b>	<b>-</b>	<b>-</b>	<b>366</b>	<b>-</b>	<b>-</b>	<b>32,306</b>

Land									-
Depreciation/impairment of site improvements	(146)			(13)					(158)
Buildings	(6,592)			(546)					(7,138)
Technical facilities, machinery and equipment	(10,424)			(778)		(1)			(11,202)
Technical facilities, machinery and equipment under finance lease	(1,463)		370	(375)		(366)		(4)	(1,838)
Other property, plant and equipment	(840)		5	(74)					(910)
<b>Total depreciation, amortisation and provisions</b>	<b>(19,466)</b>	<b>-</b>	<b>375</b>	<b>(1,785)</b>	<b>-</b>	<b>(366)</b>	<b>-</b>	<b>(4)</b>	<b>(21,246)</b>

<b>Total Net Value</b>	<b>9,908</b>	<b>3,025</b>	<b>(85)</b>	<b>(1,785)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(4)</b>	<b>11,059</b>
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Property, plant and equipment are recognised at their historical acquisition value or their production cost. Depreciation and amortisation is calculated on a straight-line basis over the normal period of use of the goods depending on their nature:

- Structural work: 10 to 40 years;
- Heavy fittings: four to 30 years;
- Usual fittings, furniture and decoration: five years;
- IT equipment: two to five years;
- Vehicles: three to five years.

The combination of the parent company financial statements of GROUPE BERKEM has no impact on property, plant and equipment.

### 5.3. Financial assets

	December 2017	Increases	Decreases	Change in scope	Reclassification disposal	December 2018
Investment securities	-					-
Receivables related to investments	-	-				-
Loans	12,826	5,252	(3,054)			15,024
Deposits and guarantees paid	168	20		20		208
Long-term investments	13	16	(5)			24
<b>Total financial assets</b>	<b>13,007</b>	<b>5,288</b>	<b>(3,059)</b>	<b>20</b>	<b>-</b>	<b>15,256</b>
Impairments of investment securities						-
Impairments of loans, guarantees and other receivables – non-current		(1,023)				(1,023)
<b>Total impairments of financial assets</b>	<b>-</b>	<b>(1,023)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,023)</b>
<b>Total Net Value</b>	<b>13,007</b>	<b>4,265</b>	<b>(3,059)</b>	<b>20</b>	<b>-</b>	<b>14,233</b>

	December 2018	Increases	Decreases	Change in scope	Reclassification disposal	December 2019
Investment securities	-					-
Receivables related to investments	-	-	-			-
Loans	15,024	1,780			(10,617)	6,187
Deposits and guarantees paid	208	38				247
Long-term investments	24	0				24
<b>Total financial assets</b>	<b>15,256</b>	<b>1,818</b>	<b>-</b>	<b>-</b>	<b>(10,617)</b>	<b>6,457</b>
Impairments of investment securities	-	-				-
Impairments of loans, guarantees and other receivables – non-current	(1,023)	(835)				(1,858)
<b>Total impairments of financial assets</b>	<b>(1,023)</b>	<b>(835)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,858)</b>
<b>Total Net Value</b>	<b>14,233</b>	<b>984</b>	<b>-</b>	<b>-</b>	<b>(10,617)</b>	<b>4,600</b>



	December 2019	Increases	Decreases	Change in scope	Reclassification disposal	December 2020
Investment securities	-		-		(0)	(0)
Receivables related to investments	-		(0)			(0)
Loans	6,187	8,780	(6,075)			8,892
Deposits and guarantees paid	247	15	(48)			214
Long-term investments	24	0			0	24
<b>Total financial assets</b>	<b>6,457</b>	<b>8,796</b>	<b>(6,123)</b>	<b>-</b>	<b>-</b>	<b>9,130</b>
Impairments of investment securities	-	-	-			-
<i>T&amp;G Distribution</i>	-	-	-			-
<i>T&amp;G BV</i>	-	-	-			-
Impairments of loans, guarantees and other receivables – non-current	(1,858)		1,858			0
<b>Total impairments of financial assets</b>	<b>(1,858)</b>	<b>-</b>	<b>1,858</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Total Net Value</b>	<b>4,600</b>	<b>8,796</b>	<b>(4,265)</b>	<b>-</b>	<b>-</b>	<b>9,130</b>

They mainly include loans, guarantees and receivables related to investment securities, as well as non-consolidated investment securities. An impairment is recognised if their value in use for the Group falls below their carrying amount.

Investment securities are recorded in the balance sheet at their acquisition cost. The gross value consists of the purchase cost excluding ancillary costs. When the inventory value is lower than the gross value, a provision for impairment is recognised for this difference.

Given the restatement of the sale of T&G investment securities at the beginning of the year, they do not impact the combined financial statements.

At 31 December 2020, other fixed assets increased due to the HOF loan for €8,780 thousand (see page 16 of the notes to the financial statements). A portion of this receivable, of €5,520 thousand, is due on 31 December 2021 in accordance with the provisions of the vendor loan agreement between BERKEM DÉVELOPPEMENT and HOF.

The combination of GROUPE BERKEM's parent company financial statements had no impact on financial assets.

#### 5.4. Inventories

	December 2020			December 2019			December 2018		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
Raw materials, supplies	1,698	(42)	1,656	1,522		1,522	1,595		1,595
Intermediate and finished goods	4,916	(256)	4,660	5,112		5,112	4,589		4,589
<b>Total inventories</b>	<b>6,614</b>	<b>(297)</b>	<b>6,317</b>	<b>6,634</b>	<b>-</b>	<b>6,634</b>	<b>6,184</b>	<b>-</b>	<b>6,184</b>

Inventories consist of raw materials, goods and other supplies. The consolidation valuation rules are identical to those applied in the parent company financial statements.

The gross value of raw materials, other supplies and goods includes the purchase price and ancillary costs (FIFO method).

Finished goods are valued at the Industrial Cost Price (PRI), i.e. at production cost including:

- consumption as well as direct and indirect production costs;
- depreciation of assets used in production;

– to which a structure coefficient is applied *in fine*.

The cost of the sub-activity and interest are excluded from the value of inventories.

With regard to the provision for impairment of inventories, management has defined a discount rate based on inventory rotation time. The amount of the provision is determined by applying this rate of 60% to the value of the inventories present at 31 December 2020 and not showing any movement for 12 months.

GROUPE BERKEM does not hold any inventories. Combining the parent company financial statements had no impact on the items in question.

### 5.5. Trade receivables

	December 2020			December 2019			December 2018		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
Trade receivables	3,808	(365)	3,443	4,000	(435)	3,565	4,958	(362)	4,596
<b>Total trade receivables</b>	<b>3,808</b>	<b>(365)</b>	<b>3,443</b>	<b>4,000</b>	<b>(435)</b>	<b>3,565</b>	<b>4,958</b>	<b>(362)</b>	<b>4,596</b>

Trade receivables are recognised at their nominal value. A provision for depreciation is made when there is a risk of non-recovery at the time of the inventory.

### 5.6. Other receivables

	2020 Financial year			2019 Financial year			2018 Financial year		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
Advances and deposits paid	53		53	38		38	39		39
Personnel	27		27	24		24	26		26
French State – Income tax	2,150	(170)	1,980	2,556	(170)	2,386	2,176	(170)	2,006
French State – Deferred tax assets	1,052		1,052	1,419		1,419	1,226		1,226
French State – Other duties and taxes	699		699	406		406	946		946
Other receivables	1,690		1,690	1,368		1,368	639		639
<b>Total other receivables</b>	<b>5,671</b>	<b>(170)</b>	<b>5,500</b>	<b>5,811</b>	<b>(170)</b>	<b>5,641</b>	<b>5,053</b>	<b>(170)</b>	<b>4,883</b>

The item “French State – Income tax” mainly includes “research and innovation tax credits”.

The item “Other receivables” includes the following items, at gross value:

	2020 Financial year	2019 Financial year	2018 Financial year
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Receivables transferred to the factor	1,361	1,236	635
<i>Guarantee fund</i>	433	333	334
<i>Reserves</i>	363	147	92
<i>Replenishment suspense account</i>	520	617	164
<i>Current account</i>	45	140	45
Other receivables from companies that have been excluded from the scope of consolidation	328	132	4
<b>Total other receivables</b>	<b>1,690</b>	<b>1,368</b>	<b>639</b>

The breakdown of other receivables at the close of 2018 is as follows:

	Closing 31 December 2018	Less than 1 year	More than 1 year
Advances and deposits paid	39	39	
Personnel	26	26	
French State – Income tax	2,176	2,176	
French State – Deferred tax assets	946	946	
French State – Other duties and taxes	1,226	1,226	
Receivables transferred to the factor	635	635	
Other receivables from companies that have been excluded from the scope of consolidation	4		4
<b>Total other receivables</b>	<b>5,053</b>	<b>5,049</b>	<b>4</b>

The breakdown of other receivables at the close of 2019 is as follows:

	Closing 31 December 2019	Less than 1 year	More than 1 year
Advances and deposits paid	38	38	
Personnel	24	24	
French State – Income tax	2,556	2,556	
French State – Deferred tax assets	406	406	
French State – Other duties and taxes	1,419	1,419	
Receivables transferred to the factor	1,236	1,236	
Other receivables from companies that have been excluded from the scope of consolidation	132		132
<b>Total other receivables</b>	<b>5,811</b>	<b>5,679</b>	<b>132</b>

The breakdown of other receivables at the close of 2020 is as follows:

	Close at 31 December 2020	Less than 1 year	More than 1 year
Advances and deposits paid	53	53	
Personnel	27	27	
French State – Income tax	2,150	2,150	
French State – Deferred tax assets	1,052	341	712
French State – Other duties and taxes	699	699	
Receivables transferred to the factor	1,361	1,361	
Other receivables from companies that have been excluded from the scope of consolidation	328		328
<b>Total other receivables</b>	<b>5,671</b>	<b>4,631</b>	<b>1,040</b>

The use of deferred tax assets at 31 December 2020, against prior losses, was estimated as follows:

	2021	2022	2023	2024	2025	2026 and beyond
<b>BERKEM DÉVELOPPEMENT</b>						
Deferred taxes on tax loss carryforwards	263		45	132	87	
<b>BERKEM</b>						
Deferred taxes on tax loss carryforwards	549	153	395			
<b>LIXOL</b>						
Deferred taxes on tax loss carryforwards	53		38	15		

## 5.7. Cash

	2020 Financial year			2019 Financial year			2018 Financial year		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
Marketable securities	70	(1)	68	70	(0)	70	628	(2)	626
Cash and cash equivalents	2,502		2,502	1,257		1,257	3,924		3,924
Cash liabilities	(194)		(194)	(448)		(448)	(66)		(66)
<b>Total cash</b>	<b>2,378</b>	<b>(1)</b>	<b>2,377</b>	<b>879</b>	<b>(0)</b>	<b>879</b>	<b>4,487</b>	<b>(2)</b>	<b>4,485</b>

Net cash amounted to €4,485 thousand at the end of 2018, compared with €879 thousand at the close of 2019. Its change is mainly linked to the industrial investments carried out by the Group. In 2020, net cash rose to €2,326 thousand, due in particular to loans obtained by the various companies. At the close of 2020, cash included €50 thousand of cash and cash equivalents from GROUPE BERKEM's parent company financial statements.

## 5.8. Shareholders' equity and quasi-equity

The statements of changes in equity are presented on page 6. The share of non-controlling interests amounted to:

- €452 thousand at 31 December 2018;
- €440 thousand at 31 December 2019;
- €461 thousand at 31 December 2020.

In the combined financial statements, the share of non-controlling interests corresponds solely to the non-controlling interests of BERKEM. The change in the share of non-controlling interests is linked only to the contribution of BERKEM to the combined shareholders' equity.

At 31 December 2020, there is no equity link between GROUPE BERKEM and BERKEM DÉVELOPPEMENT. Non-controlling interests in BERKEM DÉVELOPPEMENT are not restated.

The combination of the parent company financial statements of GROUPE BERKEM led to the inclusion of the combined share capital:

- €0.1 thousand at 31 December 2018 and 2019;

- €50 thousand at 31 December 2020: an increase in the share capital of GROUPE BERKEM of €50 thousand took place in 2020.

## 5.9. Provisions

	December 2017	Allocations in the financial year	Reversals in the financial year	December 2018	Allocations in the financial year	Reversals in the financial year	December 2019	Allocations in the financial year	Reversals in the financial year	December 2020
Provisions for disputes				-			-			-
Other provisions for contingencies	1,141		(1,091)	50			50			50
<b>Total provisions for risks</b>	<b>1,141</b>	<b>-</b>	<b>(1,091)</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>50</b>
Provisions for pensions and retirement	874	156	(32)	998	63	(60)	1,001	112	(6)	1,107
Other provisions for expenses				-			-			-
<b>Total provisions for expenses</b>	<b>874</b>	<b>156</b>	<b>(32)</b>	<b>998</b>	<b>63</b>	<b>(60)</b>	<b>1,001</b>	<b>112</b>	<b>(6)</b>	<b>1,107</b>

In 2017, “Other provisions for contingencies” consisted in particular of a provision for non-conversion premiums on bonds in the amount of €1,043 thousand. This provision was reversed in 2018, following the redemption of the corresponding bonds.

## 5.10. Financial liabilities

	December 2017	Increases	Repayments	Change in scope	December 2018
Bonds	18,712	13,880	(19,425)		13,167
Loans from credit institutions	9,493	20,307	(7,442)	189	22,547
Indebtedness related to finance leases	741	34			775
Other borrowings and related debts			(6)	24	18
Accrued interest on borrowings	489	293	(489)		293
<b>Total financial liabilities</b>	<b>29,436</b>	<b>34,514</b>	<b>(27,362)</b>	<b>213</b>	<b>36,801</b>

	December 2018	Increases	Repayments	Change in scope	December 2019
Bonds	13,167	2,999			16,166
Loans from credit institutions	22,547	1,560	(4,380)		19,727
Indebtedness related to finance leases	775	1,350	(523)		1,603
Other borrowings and related debts	18		(6)		12
Accrued interest on borrowings	293	79	(293)		79
<b>Total financial liabilities</b>	<b>36,801</b>	<b>5,987</b>	<b>(5,202)</b>	<b>-</b>	<b>37,586</b>

	December 2019	Increases	Repayments	Change in scope	December 2020
Bonds	16,166	779			16,945
Loans from credit institutions	19,727	4,707	(1,946)		22,489
Indebtedness related to finance leases	1,603	923	(426)		2,099
Other borrowings and related debts	12		(6)		6
Accrued interest on borrowings	79	857	(79)		857
<b>Total financial liabilities</b>	<b>37,586</b>	<b>7,266</b>	<b>(2,456)</b>	<b>-</b>	<b>42,396</b>

The period in 2018 was notably marked by:

- the restructuring of senior and bond debt:
  - o the OCAs and OBSAs (bonds with warrants attached) were fully repaid for €19,425 thousand,
  - o the senior loan was repaid for €6,446 thousand,
  - o the new senior loan amounts to €17,000 thousand plus a revolving credit facility of €3,000 thousand,
  - o the new senior debt is arranged by Crédit Agricole and includes Caisse d'Épargne and Banque Populaire,
  - o the maturity of all of these liabilities is seven years;
- Subscription of a new bond for €13,167 thousand by the NOVI 2 fund (including non-conversion premium).

The increases for the 2018 financial year also include €213 thousand linked to the consolidation of EUROLYO.

2019 was marked in particular by:

- the drawdown of the second tranche of CB for €2,060 thousand. The balance of the increase in bond debt is linked to the recognition of capitalised interest;
- the repayment of the senior debt, in particular for €1,857 thousand.

2020 was marked in particular by:

- the receipt of State-Guaranteed Loans (SGLs) and an *Atout* loan of approximately €3,200 thousand in total:
  - BERKEM DÉVELOPPEMENT: €500 thousand in SGLs and €500 thousand in *Atout* loans,
  - ADKALIS: €600 thousand in SGLs,
  - BERKEM: €1,100 thousand in SGLs,
  - LIXOL: €500 thousand in SGLs;
- the drawdown of €1,500 thousand on credit lines by BERKEM DÉVELOPPEMENT;
- the signing by EUROLYO of a finance lease for two freeze-dryers in the amount of €615 thousand, a lease that had not yet been activated at the date of preparation of the consolidated financial statements.

The breakdown of financial liabilities at the close of 2018 is as follows:

	<b>December 2018</b>	<b>&lt; 1 year</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
Bonds	13,167			13,167
Loans from credit institutions	22,547	2,355	11,734	8,458
Finance lease borrowing	775	471	305	
Other borrowings and related debts	18	6	12	
Accrued interest on borrowings	293	293		
<b>Total financial liabilities</b>	<b>36,801</b>	<b>3,125</b>	<b>12,051</b>	<b>21,625</b>

The breakdown of financial liabilities at the close of 2019 is as follows:

	<b>December 2019</b>	<b>&lt; 1 year</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
Bonds	16,166			16,166
Loans from credit institutions	19,727	3,198	10,042	6,487
Finance lease borrowing	1,603	406	1,197	
Other borrowings and related debts	12	6	6	
Accrued interest on borrowings	79	79		
<b>Total financial liabilities</b>	<b>37,586</b>	<b>3,688</b>	<b>11,245</b>	<b>22,653</b>

The breakdown of financial liabilities at the close of 2020 is as follows:

	<b>December 2020</b>	<b>&lt; 1 year</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
Bonds	16,945	16,945		
Loans from credit institutions	22,489	16,594	5,502	392
Finance lease borrowing	2,099	524	1,575	
Other borrowings and related debts	6	6		
Accrued interest on borrowings	857	857		
<b>Total financial liabilities</b>	<b>42,396</b>	<b>34,926</b>	<b>7,077</b>	<b>392</b>

All Group companies benefited from the deferral of the reimbursement of SGLs of at least one year. These liabilities were thus considered to be due within a period of one to five years.

In accordance with the press release of the board of the French Accounting Standards Authority, the redemption schedules for the bond and senior debt have been set at less than one year due to the non-compliance with covenants at 31 December 2020.

At 31 March 2021, financial partners had approved the requests for waivers made by the Group and have maintained the terms of the schedules initially set out.

The waivers obtained did not lead to changes in the repayment terms.

For full information, the breakdown of financial liabilities at the close of 2020 could be presented as at 31 March 2021.

GRUPE BERKEM has no bank debt. Combining the parent company financial statements had no impact on the items in question.

The Group's main financings have the following terms at 31 December 2020:

#### Terms of the bond issue

Number of bonds issued (OCA)	146
Number of bonds issued on the date of approval of the Registration Document	146
Nominal value per unit	€100 thousand
Nominal amount of OCAs	€14,600 thousand
OCA maturity date	16-Apr-26
Annual interest rate paid (payable semi-annually)	6-month EURIBOR +5%
Capitalised annual interest rate	5% <i>per annum</i>
Non-conversion premium	2.50% of the nominal value of OCAs (excluding capitalised interest)
Number of Berkem Développement shares on conversion of OCAs	9,725,781
Rank	OCAs subordinate to the senior syndicated loan

#### Terms of the senior loan

Tranche A	Amount	€11,843 thousand
	Interest rate	3-month EURIBOR + margin between 1.50% and 2% based on the Group's leverage ratio
Tranche B	Amount	€4,000 thousand
	Interest rate	3-month EURIBOR + margin between 2% and 2.50% based on the Group's leverage ratio
Revolving credit	Amount	€3,000 thousand
	Interest rate	3-month EURIBOR +1.75%

For Senior Debt and OCA agreements, the Group is subject to the following ratios for its financial commitments:

Ratios to be respected with senior lenders:

- Financial leverage ratio – senior leverage – (consolidated net financial debt/consolidated EBITDA):  $\leq 3.5x$  for 2018,  $\leq 3x$  for 2019, and  $\leq 2x$  for 2021 and subsequent financial years,
- debt service coverage ratio  $\geq 1.10x$ ;

Ratios to be respected with OCA holders:

- Debt coverage ratio by consolidated net cash flow: greater than 1,
- Financial debt ratio – overall leverage – (Consolidated net financial debt / consolidated EBITDA):  $\leq 5x$  for 2018,  $\leq 4.5x$  for 2019, and  $\leq 4x$  for 2020 and subsequent years,
- Senior financial debt ratio (Senior net financial debt / consolidated EBITDA):  $\leq 3.5x$  for 2018,  $\leq 3x$  for 2019,  $\leq 2.5x$  for 2020 and  $\leq 2x$  for 2021 and subsequent financial years.

To date, the Group has never failed to meet its repayment obligations at maturity and has never been in one of the situations covered by the early repayment clauses for which it has not obtained waivers from its banking institutions and Idinvest Partners.

The Group has historically obtained the following waivers:

- October 2019:
  - Non-compliance with financial ratios at 31 December 2018
  - Non-application of the excess cash flow clause for the financial year 2018
  - Authorisation to distribute dividends to partners



- April 2020:
  - Authorisation to take out a State-Guaranteed Loan in the context of Covid-19
  - 50% reduction in the principal due on Tranche A of the senior debt in 2020 (paid on 18 October each year). The balance being spread equally over the five remaining annual payments
- October 2020:
  - Decrease in the amount of the clean down from €3 million to €1 million during the 2020 period (from 1 to 30 November 2020)
- January 2021:
  - Non-compliance with financial ratios for the financial year ended 31 December 2019
- March 2021:
  - Non-compliance with financial ratios for the financial year ended 31 December 2020.
  -

#### Historical covenant breaches

	<b>Initial contractual ratio</b>	<b>Ratio achieved</b>
<b>2018</b>		
Overall leverage ratio (OCA)	5	6.01
Senior leverage ratio (senior debt and OCA)	3.5	3.83
Cash flow cover ratio (senior debt and OCA)	1.1	1.07
<b>2019</b>		
Overall leverage ratio (OCA)	4.5	6.58
Senior leverage ratio (senior debt and OCA)	3	5.52
Cash flow cover ratio (senior debt and OCA)	1.1	0.79
<b>2020</b>		
Overall leverage ratio (OCA)	4	5.39
Senior leverage ratio (senior debt and OCA)	2.5	3.18
Cash flow cover ratio (senior debt and OCA)	1.1	1.15

#### 5.11. Non-financial liabilities

	<b>Closing 2020</b>	<b>Closing 2019</b>	<b>Closing 2018</b>
Trade payables	4,307	5,020	5,105
Debt on asset acquisition – current	198	-	-
Customers – Advances and down payments received	10	50	7
Social security payables	2,141	1,831	1,772
Tax liabilities (excluding income tax)	510	256	494
French State – Income tax	-	53	-
Current accounts in debit	284	377	410
Other payables – current	453	816	450
<b>Total debts</b>	<b>7,901</b>	<b>8,403</b>	<b>8,240</b>

The breakdown of financial liabilities at the close of 2018 is as follows:

	Closing 31 December 2018	Less than 1 year	1-5 years	More than five years
Trade payables	5,105	5,105		
Debt on asset acquisition – current	-	-		
Customers – Advances and down payments received	7	7		
Social security payables	1,772	1,772		
Tax liabilities (excluding income tax)	494	494		
Current accounts in debit	410		410	
Other payables – current	450	450		
<b>Total non-financial liabilities</b>	<b>8,240</b>	<b>7,829</b>	<b>410</b>	-

The breakdown of financial liabilities at the close of 2019 is as follows:

	Closing 31 December 2019	Less than 1 year	1-5 years	More than five years
Trade payables	5,020	5,020		
Debt on asset acquisition – current	-	-		
Customers – Advances and down payments received	50	50		
Social security payables	1,831	1,831		
Tax liabilities (excluding income tax)	256	256		
French State – Income tax	53	53		
Current accounts in debit	377		377	
Other payables – current	816	816		
<b>Total non-financial liabilities</b>	<b>8,403</b>	<b>8,026</b>	<b>377</b>	-

The breakdown of financial liabilities at the close of 2020 is as follows:

	Close at 31 December 2020	Less than 1 year	1-5 years	More than five years
Trade payables	4,307	4,307		
Debt on asset acquisition – current	198	198		
Customers – Advances and down payments received	10	10		
Social security payables	2,141	2,141		
Tax liabilities (excluding income tax)	510	510		
Current accounts in debit	284		284	
Other payables – current	453	453		
<b>Total non-financial liabilities</b>	<b>7,901</b>	<b>7,618</b>	<b>284</b>	-

## 6. Additional income statement information

### 6.1. Introduction

The combined income statement includes transactions carried out by Group companies combined with the T&G business unit, considered to be a third party.

## 6.2. Turnover

Turnover represents the cumulative amount of services and production activities. Turnover is recognised on delivery for sales of goods and finished products, and on completion for services (contract work).

The breakdown of Group turnover is as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
Sale of goods			
Production sold (goods)	38,985	36,960	38,297
Production sold (services)	1,589	806	875
<b>Total turnover</b>	<b>40,574</b>	<b>37,766</b>	<b>39,172</b>

GROUPE BERKEM did not generate any turnover. Combining the parent company financial statements had no impact on the items in question.

In order to meet the needs of both public and private customers, at the time of the Covid-19 health crisis, the Group developed and marketed hydroalcoholic gel and related products. Turnover generated on this occasion during the 2020 financial year was €547 thousand.

## 6.3. Reversals of provisions

Reversals of provisions break down as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
Reversals of impairment of trade receivables	90	13	1
Reversals of retirement benefit obligations	6	60	32
<b>Total reversals of provisions</b>	<b>96</b>	<b>73</b>	<b>33</b>

Combining the GROUPE BERKEM parent company financial statements had no impact on the items in question.

## 6.4. Capitalised production

### 6.4.1.2018 Financial year

The Group recognised capitalised production of €1,554 thousand in operating income for the following transactions:

- commissioning of a pulsed column at the Gardonne site;
- improvement work on premises – LIXOL – La Teste;
- development of a group CRM system;
- development of a new patent, new formulations, and 12 MAs;
- development of a commercial website.

GROUPE BERKEM did not recognise any capitalised production in 2018.

### 6.4.2.2019 Financial year

The Group recognised capitalised production of €1,687 thousand in operating income for the following transactions:

- development of formulas, patents and pilots;
- development of a group CRM system;
- improvement work on the Gardonne and La Teste premises.

GROUPE BERKEM did not recognise any capitalised production in 2019.

#### 6.4.3.2020 Financial year

The Group recognised capitalised production of €1,383 thousand in operating income for the following transactions:

- development of formulas and patents – ADKALIS;
- development of pilots and obtaining MAs in France and abroad;
- implementation of the Group’s CRM at ADKALIS;
- improvement work on premises and industrial equipment at Gardonne and Chartres.

GROUPE BERKEM did not recognise any capitalised production in 2020.

#### 6.5. Tax credits and operating subsidies

The Group continued its research and development efforts. A portion of its expenses made it possible to claim tax credits in the amount of:

	2020 Financial year	2019 Financial year	2018 Financial year
Research Tax Credit	959	1,053	1,160
Investment Tax Credit	66	29	32
Operating subsidies	25	27	29
<b>Tax credits and operating subsidies</b>	<b>1,051</b>	<b>1,109</b>	<b>1,221</b>

The Group presents research and innovation tax credits as operating subsidies for the portion that cannot be directly attributable to capitalised development costs.

#### 6.6. Other income

For the financial years 2018 and 2019, “Other income” is not significant.

For the 2020 financial year, other income amounted to €144 thousand and included €125 thousand of employee profit-sharing as benefits in kind. The increase in the item compared to previous financial years is due to the fact that employee participation in benefits in kind was previously included in turnover.

#### 6.7. Purchases of raw materials, other supplies and goods & changes in inventories

The breakdown of purchases and changes in inventories, presented in the income statement, is as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
Purchases and change in inventory of goods			
Purchases of raw materials & other supplies	15,536	14,919	15,765
Change in inventory of raw materials & other supplies	(176)	73	85
<b>Total purchases and inventory changes</b>	<b>15,360</b>	<b>14,991</b>	<b>15,850</b>

## 6.8. Overall gross margin

The overall gross margin is as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
Production of goods and services sold	40,574	37,766	39,172
Production in inventory	(196)	523	274
Capitalised production	1,383	1,687	1,554
- Materials consumption and subcontracting	15,360	14,991	15,850
<b>Overall gross margin</b>	<b>26,400</b>	<b>24,985</b>	<b>25,150</b>
<b>Overall gross margin rate</b>	<b>65%</b>	<b>66%</b>	<b>64%</b>

## 6.9. Other purchases and external expenses

The breakdown of other purchases and external expenses, presented in the income statement, is as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
Other purchases	1	7	5
Purchases of materials and supplies not in inventory	1,093	1,126	1,061
General subcontracting	208	116	218
Finance lease repayments	64	10	38
Rentals and rental expenses	557	549	486
Maintenance and repairs	584	573	536
Insurance premiums	348	354	454
Studies and research	471	399	587
Miscellaneous	86	69	97
External staff	667	695	660
Compensation of temporary staff & fees	1,420	1,443	1,106
Advertising	402	524	549
Transportation	1,429	1,322	1,505
Travel, assignments	593	1,007	890
Postal charges	189	205	168
Banking services	83	107	96
Other external expenses	58	58	45
<b>Total other purchases and external expenses</b>	<b>8,254</b>	<b>8,562</b>	<b>8,500</b>

The combination of GROUPE BERKEM's parent company financial statements consisted of increasing:

- the “Compensation of temporary staff & fees” item of €5.6 thousand at the close of 2020, €1.3 thousand at the close of 2019 and of €0.056 thousand at the close of 2018;
- the “Banking services” item of €0.756 thousand at the close of 2020, €0.764 thousand at the close of 2019 and €0.656 thousand at the close of 2018.

## 6.10. Taxes and duties

The breakdown of taxes and duties, presented in the income statement, is as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
Taxes and duties on compensation	214	177	186
Other taxes and duties	684	770	821
<b>Total taxes, duties and similar payments</b>	<b>897</b>	<b>946</b>	<b>1,007</b>

The combination of GROUPE BERKEM's parent company financial statements consisted of increasing the "Other taxes and duties" item by €0.577 thousand at the close of 2019.

#### 6.11. Personnel expenses

The breakdown of personnel expenses, presented in the income statement, is as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
Wages and salaries	7,201	7,535	6,839
Social security expenses	3,086	3,384	3,144
<i>Of which the Employment Competitiveness Tax Credit (CICE)</i>	-	-	152
<b>Total personnel expenses</b>	<b>10,286</b>	<b>10,920</b>	<b>9,983</b>
<b>Percentage of personnel expenses in turnover</b>	<b>25%</b>	<b>29%</b>	<b>25%</b>

Furlough measures, proposed by the Government and necessary to maintain employment, were requested and obtained for a total of €355 thousand.

These amounts were recognised as a deduction from personnel expenses, in accordance with the recommendations of the French Accounting Standards Authority.

#### 6.12. Other expenses

##### 6.12.1. 2018 Financial year

Other expenses totalled €212 thousand and consisted mainly of patent royalties for €187 thousand. Combining the GROUPE BERKEM parent company financial statements had no impact on the items in question.

##### 6.12.2. 2019 Financial year

Other expenses totalled €217 thousand and consisted mainly of patent royalties for €204 thousand. Combining the GROUPE BERKEM parent company financial statements had no impact on the items in question.

##### 6.12.3. 2020 Financial year

Other expenses amounted to €430 thousand and consisted mainly of patent royalties for €349 thousand. Combining the GROUPE BERKEM parent company financial statements had no impact on the items in question.

#### 6.13. Depreciation of fixed assets

Allocations relating to fixed assets break down as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
Depreciation of property, plant and equipment	1,785	1,830	1,726
Amortisation of intangible assets	664	613	487
<b>Total</b>	<b>2,449</b>	<b>2,444</b>	<b>2,213</b>

GROUPE BERKEM does not hold any fixed assets. Combining the parent company financial statements had no impact on the items in question.

#### 6.14. Other provisions

Provisions break down as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
Impairment of doubtful trade receivables	21	86	80
Impairment of inventories	297		
Provisions for retirement benefit obligations	112	63	156
Spreading of loan issuance costs	92	92	83
<b>Total</b>	<b>523</b>	<b>241</b>	<b>320</b>

Combining the GROUPE BERKEM parent company financial statements had no impact on the items in question.

#### 6.15. Net financial income

##### 6.15.1. 2018 Financial year

Net financial income amounted to -€3,082 thousand at 31 December 2018.

It comprised financial income of €1,691 thousand, mainly consisting of a €1,095 thousand reversal of financial provisions:

- €649 thousand in reversals of non-conversion premiums provisioned in 2017 and called up in 2018;
- €442 thousand for the provision for the cost of SIPAREX warrants.

Financial expenses for the period totalled €4,773 thousand, mainly comprising:

- €3,252 thousand in interest on borrowings, including €730 thousand in non-conversion premiums called up following the debt restructuring and €216 thousand in early termination fees;
- Financial impairments of €1,023 thousand on receivables held by the Group companies in T&G DISTRIBUTION;
- €422 thousand in expenses related to the purchase of SIPAREX warrants.

##### 6.15.2. 2019 Financial year

Net financial income amounted to -€2,558 thousand at 31 December 2019.

Financial income amounted to €327 thousand and mainly comprised €320 thousand of re-invoicing of interest expenses.

Financial expenses amounted to €2,885 thousand. They mainly comprise:

- €1,915 thousand in interest on borrowings;
- Financial impairments of €835 thousand on receivables held by Group companies in T&G DISTRIBUTION.

### 6.15.3. 2020 Financial year

Net financial income amounted to -€150 thousand.

It consists of financial income of €2,167 thousand, mainly comprising:

- Reversals of financial impairments of €1,858 thousand, relating to receivables held by Group companies in T&G DISTRIBUTION;
- €296 thousand in interest expenses re-invoiced to companies outside the scope of consolidation.

Financial expenses amounted to €2,317 thousand. They mainly consist of interest on borrowings (€2,170 thousand) including €779 thousand of capitalised interest.

## 6.16. Non-recurring income

### 6.16.1. 2018 Financial year

Non-recurring income amounted to -€545 thousand. It comprises non-recurring income for €192 thousand, mainly related to disposals for €179 thousand.

Non-recurring expenses for the period amounted to €737 thousand and mainly include:

- decontamination costs borne by BERKEM for €156 thousand;
- compensation related to departures without litigation for a total of €231 thousand;
- exceptional impairment of the tax receivable, corresponding to the research tax credit for 2016 not yet received, in the amount of €170 thousand.

### 6.16.2. 2019 Financial year

Non-recurring income amounted to -€147 thousand. It mainly comprises non-recurring expenses for an amount of €206 thousand, mainly related to the decontamination costs of €107 thousand borne by BERKEM.

### 6.16.3. 2020 Financial year

Non-recurring income amounted to -€2,107 thousand.

Exceptional income for the period amounted to €229 thousand.

Non-recurring expenses for the period amounted to €2,336 thousand, mainly comprising:

- €130 thousand in decontamination costs borne by BERKEM;
- €107 thousand in exceptional fees recognised in BERKEM DÉVELOPPEMENT;
- €1,683 thousand in debt waivers granted by Group companies to T&G DISTRIBUTION;
- €321 thousand in debt waivers granted by Group companies to T&G BV;

## 6.17. Income tax breakdown

The "Income tax" item in the income statement breaks down as follows:

	2020 Financial year	2019 Financial year	2018 Financial year
Deferred taxes	(313)	97	(157)
Income tax	(928)	(16)	(1)
Tax consolidation income	95	-	-
Impairment of tax credits	-	(103)	-
<b>Total income tax</b>	<b>(1,146)</b>	<b>(21)</b>	<b>(157)</b>



\* (€103 thousand) – Portion of the research tax credit for 2017 has been rejected by the tax authorities

Tax proof:

	December 2020	December 2019
Net income of consolidated companies	1,462	3,547
Total tax	1,146	2,025
<b>Income before tax of consolidated companies</b>	<b>2,609</b>	<b>5,571</b>
<i>Legal tax rate France</i>	28%	28%
<b>Theoretical tax expense for the year</b>	<b>730</b>	<b>1,560</b>
<b>Gap</b>	<b>416</b>	<b>465</b>
<b>Rationale for variance</b>		
Permanent differences	(6)	(81)
Tax credits	(183)	(97)
Differences in rates	(14)	259
Non-use of losses	91	(17)
Use of prior losses	(29)	
Goodwill amortisation	349	349
Restatements of non-taxed consumption	-	23
Tax consolidation	11	55
Other	45	(27)
<b>Difference explained</b>	<b>264</b>	<b>465</b>
<b>Total tax expense</b>	<b>994</b>	<b>2,489</b>

Combining the GROUPE BERKEM parent company financial statements had no significant impact.

## 7. Other information

### 7.1. Headcount

The average number of employees, for the three periods presented, was:

- for financial year 2018: 160
- for financial year 2019: 169
- for financial year 2020: 157

The non-salaried headcount made available was nine people in 2020. This information is not available for the other two periods presented.

### 7.2. Statutory Auditors' fees

The Statutory Auditors' fees amounted to:

- for the 2018 financial year: €40 thousand VS AUDITEX

- for the 2019 financial year:	€59 thousand	DEIXIS – VS AUDITEX
- for the 2020 financial year:	€82 thousand	DEIXIS – VS AUDITEX

Combining the GROUPE BERKEM parent company financial statements had no significant impact.

### 7.3. Compensation of corporate officers

Management has chosen not to disclose the amounts relating to the compensation of corporate officers, as this would amount to mentioning individual compensation items.

## 8. Events after the closing date

### 8.1. 2018 Financial year

There are no events after the closing date to report.

### 8.2. 2019 Financial year

The Covid-19 health crisis and the enactment of the state of health emergency by law No. 2020-29 of 23 March 2020 are events after the reporting period ended 31 December 2019 which did not give rise to an adjustment to the consolidated financial statements for the period ended 31 December 2019, i.e. the assets and liabilities, expenses and income recorded respectively in the balance sheet and income statement at 31 December 2019 are recognised and measured without taking into account this event and its consequences.

In accordance with the provisions of the French General Chart of Accounts on information to be mentioned in the notes to the financial statements, the Company notes that this health crisis has had a significant impact on its business since 16 March 2020, without however affecting its ability to continue as a going concern.

Despite an encouraging start to 2020 in terms of business and profitability, events and impacts related to the Covid-19 pandemic halted this momentum. At the closing date of the Company's financial statements, and in view of the rapidly changing situation, it is difficult at this stage to estimate the impact of the crisis on the Group's assets, financial position and results.

In this unprecedented context, the health and safety of employees and customers is the priority. Several measures have therefore been put in place within the Group's structures.

#### 8.2.1. Salary measures

The furlough measures proposed by the Government and necessary to maintain employment were applied for and granted in ADKALIS, BERKEM, BERKEM DÉVELOPPEMENT, EUROLYO and LIXOL.

## 8.2.2. Financial measures

### **BERKEM DÉVELOPPEMENT**

The company applied for and obtained a State-Guaranteed Loan of €500 thousand (granted by Crédit Agricole d'Aquitaine) as well as an *Atout* loan of €500 thousand from BPI, to support cash flow and weather this crisis.

The company also opted to postpone its social security contributions (URSSAF and pensions) for March, April and May 2020. In total, the amounts deferred represent €234 thousand. Lastly, it requested and was granted by its partners a deferral of its loan repayments:

- Senior Loan, Tranche A: deferral of 50% of the repayment of the principal (i.e. €928.5 thousand) over the remaining five annual instalments;
- Capitalisation of the repayment at 30 June 2020 of the cash interests of the IDINVEST CB;
- Spreading the repayment due on 30 June 2020 to MIDI CAPITAL for ISF shares over four months;
- Deferral of the final repayments of other loans by six months: BPI.

### **ADKALIS**

The company applied for and obtained a State-Guaranteed Loan of €600 thousand (granted by Banque Palatine) to support cash flow and weather this crisis.

The company has also opted to defer its social security contributions (URSSAF and pensions) for March, April and May 2020. In total, the amounts deferred represent €244 thousand.

### **BERKEM**

The company requested and obtained two State-Guaranteed Loans for €600 thousand (granted by Banque Populaire Aquitaine) and €500 thousand (granted by Crédit Coopératif) to support cash flow and weather this crisis.

The company has also opted to defer its social security contributions (URSSAF and pensions) for March, April and May 2020. In total, the amounts deferred represent €221 thousand. Lastly, it requested and was granted by its partners a deferral of its loan repayments:

- Spreading the repayment due on 30 June 2020 to MIDI CAPITAL for ISF shares over four months;
- Deferral of the final repayments of other loans by six months: BPI and Crédit Coopératif.

### **LIXOL**

The company requested and obtained a State-Guaranteed Loan for €500 thousand (granted by the Caisse d'Épargne Aquitaine Poitou Charentes) to support cash flow and weather this crisis.

The company has also opted to defer its social security contributions (URSSAF and pensions) for March, April and May 2020. In total, the amounts deferred represent €44 thousand. Lastly, it requested and was granted from the Caisse d'Épargne a six-month deferral of loan repayments.

### **EUROLYO**

No particular financial measures were taken, the level of cash being sufficient to weather the crisis.

### **GROUPE BERKEM**

No particular financial measures were taken, the level of cash being sufficient to weather the crisis.

### 8.3. 2020 Financial year

A contribution-sale of securities in BERKEM DÉVELOPPEMENT was carried out by HOF to GROUPE BERKEM on 8 March 2021. On this date, the latter became the holding company of BERKEM DÉVELOPPEMENT.

This contribution-sale involved 33,485,060 ordinary shares of BERKEM DÉVELOPPEMENT, i.e. 81% of the capital and voting rights. In consideration for this contribution, GROUPE BERKEM carried out a capital increase of €29,135 thousand.

The remainder of the BERKEM DÉVELOPPEMENT shares held by HOF were acquired by GROUPE BERKEM. This sale transaction involved 5,014,938 shares of BERKEM DÉVELOPPEMENT, i.e. approximately 12% of the capital and voting rights of the company.

At the same time, the company name GROUPE BERKEM was changed to GROUPE BERKEM.

At 31 March 2021, financial partners had approved the requests for waivers made by the Group and have maintained the terms of the schedules initially set out.

### 9. Off-balance sheet commitments

#### 9.1. Commitments given at the end of financial years 2018, 2019 and 2020

##### **Pledge of securities**

In October 2018, BERKEM DÉVELOPPEMENT pledged 100% of the securities of BERKEM, ADKALIS, T&G Belgium and LIXOL as collateral:

- a senior loan of €20,000 thousand granted by Crédit Agricole d'Aquitaine, Caisse d'Épargne Aquitaine Poitou Charentes and Banque Populaire Centre Atlantique; and
- a bond issue of €12,600K thousand subscribed by the NOVI 2 fund.

##### **Interest rate swap**

In October 2018, BERKEM DÉVELOPPEMENT also subscribed to two interest rate hedging transactions:

- with NATIXIS, a swap on a notional amount of €3,366 thousand (amortisable) exchanging 3M EURIBOR for a fixed rate of 0.38750% *per annum* over the period from 16 October 2018 to 16 October 2022;
- with NATIXIS, a swap on a notional amount of €2,754 thousand (amortisable) exchanging 3M EURIBOR for a fixed rate of 0.38750% *per annum* over the period from 16 October 2018 to 16 October 2022;
- with Crédit Agricole, a swap on a notional amount of €4,080 thousand exchanging 3M EURIBOR for a fixed rate of 0.415% *per annum* over the period from 16 October 2018 to 16 October 2022.

##### **Acquisition of minority shareholders of BERKEM DÉVELOPPEMENT and BERKEM**

A portion of the capital of BERKEM DEVELOPPEMENT (6.33%) is held by 540 individuals, represented by M Capital under a management mandate (ISF). The shares held are preferred shares (ADP<sub>2015</sub>), with Groupe Berkem having the option of buying back these ADP<sub>2015</sub> from 1 January 2021. In the event of such purchase, the ADP<sub>2015</sub> will be automatically converted into ordinary shares. The redemption price is set at 120% of the nominal amount plus an additional 1% each month from 1 January 2021.

A portion of BERKEM's share capital (4.99%) is also held by 540 individuals, represented by M Capital under a management mandate. The shares held are preferred shares (ADP<sub>2015</sub>). BERKEM DÉVELOPPEMENT has the option to buy back these ADP<sub>2015</sub> from 1 January 2021, and in the event of such purchase, the ADP<sub>2015</sub> will be automatically converted into ordinary shares. The redemption price is set at 120% of the nominal amount plus an additional 1% each month from 1 January 2021

It is planned that the BERKEM DÉVELOPPEMENT ADP<sub>2015</sub> and the BERKEM ADP<sub>2015</sub> will be acquired by GROUPE BERKEM and BERKEM DÉVELOPPEMENT respectively following the listing of the Company's shares on Euronext Growth Paris.

## Decontamination costs

No off-balance sheet commitments have been recorded because the decontamination costs cannot be precisely estimated as they depend on the results of monthly analyses. The results are provided monthly to French State services (DREAL and the Prefecture). The Group states that 7 years ago it subscribed to insurance providing a financial guarantee of decontamination; this guarantees that the site will be decontaminated even if the group is not solvent to do so. The Group believes that it has decontaminated almost all of the initial situation.

### 9.2. Commitments received at the end of the financial years 2018, 2019 and 2020

None

### 9.3. Lease commitments given and received and SGL at the end of the financial year 2020

#### Commitments given

Company concerned	Nature of commitment	Amount
BERKEM	Commitment to continue the finance lease signed by the subsidiary EUROLYO	624.24

Company concerned	Nature of commitment	Amount
ADKALIS	French State guarantee for 90% of the loan obtained from Banque Palatine	540.00
BERKEM	French State guarantee for 90% of the loan obtained from Crédit Coopératif	450.00
	French State guarantee for 90% of the loan obtained from Banque Populaire Aquitaine Centre Atlantique	540.00
	Guarantee under the National Guarantee Fund <i>Prêt Croissance Industrie 2</i> for 80% of the financing granted by BPI	576.00
	French State guarantee for 90% of the loan obtained from Crédit Coopératif	450.00
BERKEM DÉVELOPPEMENT	French State guarantee for 90% of the loan obtained from Crédit Agricole	450.00
	Guarantee under the National Guarantee Fund <i>Garantie Atout ETI</i> for 90% of the loan obtained from BPI	450.00
EUROLYO	Commitment to continue the finance lease granted by the parent company BERKEM	624.24
LIXOL	French State guarantee for 90% of the loan obtained from Caisse d'Épargne	450.00

18.1.6 Statutory Auditors' report on the combined financial statements of Groupe Berkem at 31 December 2020, 2019 and 2018

**GROUPE BERKEM**  
20, rue Jean Duvert  
33290 BLANQUEFORT, FRANCE

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**Statutory Auditors' audit report on the  
combined financial statements**  
*Financial years ended 31 December 2018, 2019 and 2020*

**GROUPE BERKEM**  
20, rue Jean Duvert  
33290 BLANQUEFORT, FRANCE

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**Statutory Auditors' audit report on the  
combined financial statements**  
*Financial years ended 31 December 2018, 2019 and 2020*

To the Chairman,

In our capacity as Statutory Auditors of GROUPE BERKEM and pursuant to Regulation (EU) No. 2017/1129, supplementing Delegated Regulation (EU) No. 2019/980 as part of the proposed public offering and admission of equity securities to trading on the Euronext Paris regulated market, we conducted our audits of the combined financial statements of GROUPE BERKEM relating to the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, prepared for the purposes of the prospectus and presented in accordance with French accounting rules and principles, as attached to this report.

The combined financial statements of GROUPE BERKEM, relating to financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 correspond to the parent company financial statements of the holding group, GROUPE BERKEM, combined with the consolidated financial statements of BERKEM DÉVELOPPEMENT, BERKEM, ADKALIS, LIXOL, and EUROLYO, the companies of the T&G business unit being excluded from this scope.

The combined financial statements for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 were prepared under the responsibility of the Chairman of the Board of Directors. These financial statements were the subject of a first report dated 28 September 2021 in which we considered that the combined financial statements presented, in all material respects and with regard to the French accounting rules and principles set by Regulation No. 99-02, the assets and financial position as at 31 December 2018, 31 December 2019 and 31 December 2020 as well as the income of all persons and entities included in the scope of combination/consolidation for each of the financial years ended on these dates.

These combined financial statements have been amended by the Chairman to present factoring in accordance with the provisions of the general chart of accounts. The combined balance sheet assets and liabilities on 31 December 2018, 31 December 2019 and 31 December 2020 were amended under "Trade receivables" and "Other liabilities", as were the corresponding notes to the combined financial statements. We are therefore required to issue a new report which replaces our first report of 28 September 2021.

Our role is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the professional standards applicable in France and the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes in relation to this mission; these standards require the implementation of procedures to obtain reasonable assurance that the amended combined financial statements are free from material misstatement.



An audit consists in verifying, by sampling or by means of other selection methods, the elements justifying the amounts and information appearing in these financial statements. It also consists of assessing the accounting principles used, the significant estimates used and the overall presentation of the financial statements.

We believe that the information we have collected is sufficient and appropriate to provide a basis for our opinion. In our opinion, the amended combined financial statements prepared for the purposes of the prospectus fairly present, in all material respects and in accordance with the French accounting rules and principles set by Regulation No. 99-02, the assets and financial position at 31 December 2018, 31 December 2019 and 31 December 2020, as well as the results of the group comprising all the persons and entities included in the scope of combination/consolidation for each of the financial years ended at these dates.

Without calling into question the opinion expressed above, we draw your attention to the following points set out in the notes to the combined financial statements:

- on the notes "*Statement of changes in equity*" on page 6 of the notes to the combined financial statements and "*Combination methods*" on page 13, concerning the treatment and impacts of the disposal of the T&G business unit;
- on the notes "*Events after the closing date – 2019 Financial year*" on page 52 of the notes to the combined financial statements, and "*Significant events – 2020 Financial year*" on page 9, concerning the impact of the Covid-19 health crisis;
- on the note "*Financial liabilities*" on page 38 of the notes to the combined financial statements concerning the breakdown of financial liabilities;
- on the note "*Other significant items – Transactions carried out with HOF*" on page 11 of the notes to the combined financial statements concerning the receivable presented as a loan;
- on the note "*Non-recurring income*" on page 50 of the notes to the combined financial statements concerning the write-offs of receivables granted by the Group's companies to T&G DISTRIBUTION.

Le Tourne and Bordeaux, on 29 October 2021

Statutory Auditors  
Members of the CRCC Grande Aquitaine

**FOR DEIXIS,**  
Nicolas de Laâge de Meux

**FOR VS AUDITEX**  
Simon Vezin

18.1.7 Other information contained in the Registration Document verified by the Statutory Auditors

Not applicable

18.1.8 Financial information included in the Registration Document not taken from the Group's audited financial statements

Not applicable

## **18.2 Interim financial information**

18.2.1 Consolidated financial statement at 30 June 2021



**GROUPE BERKEM**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**INTERIM FINANCIAL STATEMENTS CLOSED ON 30 JUNE 2021**

**GROUPE BERKEM**

**20, rue Jean Duvert**

**33290 BLANQUEFORT, FRANCE**

## **CAUTIONARY NOTICE**

The Group's consolidated financial statements for the interim financial statements closed on 30 June 2021, correspond to the consolidated financial statements of GROUPE BERKEM and its subsidiaries. The Group's activity is from 8 March 2021 to 30 June 2021.

## **CONSOLIDATED FINANCIAL STATEMENTS**

## Consolidated balance sheet

	June 2021		Net value
	Gross values	Amortisation of provisions	
Intangible assets	58,458	(8,332)	50,126
<i>Of which goodwill</i>	42,615	-	42,615
Property, plant and equipment	32,970	(21,807)	11,163
Financial assets	263	-	263
Equity-accounted investments	-	-	-
<b>Total fixed assets</b>	<b>91,691</b>	<b>(30,138)</b>	<b>61,553</b>
Inventories and work in progress	7,258	(317)	6,941
Trade receivables	5,304	(361)	4,942
Other receivables and accruals, prepayments and sundry assets	6,261	-	6,261
Marketable securities	70	(0)	70
Cash and cash equivalents	5,077	-	5,077
<b>Total ASSETS</b>	<b>115,660</b>	<b>(30,817)</b>	<b>84,844</b>
Capital			29,173
Additional paid-in capital			-
Group reserves			(0)
Translation reserves			-
Net income for the financial year			806
<b>Total shareholders' equity</b>			<b>29,979</b>
Non-Group interests			97
Provisions			1,214
Borrowings and financial debt			44,481
Trade and related payables			5,414
Other debts and accruals			3,659
<b>Total LIABILITIES</b>			<b>84,844</b>

## Consolidated income statement

	June 2021
Sale of goods	35
Production sold (goods)	16,365
Production sold (services)	1,207
<b>Turnover</b>	<b>17,607</b>
Capitalised and stored production	845
Operating subsidies	283
Transfers of operating expenses	66
Reversals of impairment and provisions	464
Other income	(4)
Purchases consumed	(7,275)
External expenses	(3,125)
Taxes and duties	(348)
Personnel expenses	(4,080)
Depreciation, amortisation and provisions	(1,422)
Other operating expenses	(87)
<b>Operating income before depreciation and amortisation and impairment of goodwill</b>	<b>2,923</b>
Amortisation of goodwill	-
<b>Operating income after depreciation and amortisation and impairment of goodwill</b>	<b>2,923</b>
Financial income and expenses	(826)
Non-recurring expenses and income	(820)
Income tax	(394)
<b>Net income of consolidated companies</b>	<b>884</b>
Share of net income of equity-accounted companies	-
<b>Net income of the consolidated group</b>	<b>884</b>
Non-controlling interests	(78)
<b>Net income (attributable to owners of the parent)</b>	<b>806</b>

### Statement of changes in shareholders' equity

	Capital	Reserves	Group net income for the period	Other	Attributable to owners of the parent	Non- controlling interests	Total
<b>Opening position June 2021</b>				-	-		-
Appropriation of net income					-		-
Dividends paid					-		-
Net income June 2021			884		884	(78)	806
Change in capital	29,173				29,173		29,173
Other changes					-		-
<b>Closing position June 2021</b>	29,173	-	884	-	30,057	(78)	29,979



## Cash flow statement

	June 2021
Total net income of consolidated companies	884
Elimination of depreciation, amortisation and provisions	999
Elimination of changes in deferred taxes	20
Elimination of capital gains or losses on disposals	(207)
Elimination of the share of net income of equity-accounted companies	-
<b>Cash flow</b>	<b>1,696</b>
Change in inventories	(743)
Change in customer accounts receivable	(48)
Change in other receivables and accruals, prepayments and sundry assets	3,277
Change in trade payables	(822)
Change in other debts and accruals	(2,042)
<b>Change in working capital requirement</b>	<b>(378)</b>
<b>Net cash flow from operating activities</b>	<b>1,319</b>
Acquisitions of fixed assets	(858)
Disposals of fixed assets	208
Impact of changes in scope	4,335
<b>Net cash flow from investments</b>	<b>3,685</b>
Dividends paid by the parent company	0
Dividends paid to non-controlling interests	0
Capital increases/reductions	0
Investment grants received	0
Bond issues	3,928
Bond redemptions	(3,931)
<b>Net cash flow from financing activities</b>	<b>(3)</b>
Impact of exchange rate fluctuations	-
<b>Change in cash position</b>	<b>5,001</b>
Opening cash	0
Closing cash	5,001

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## 1. Significant events of the year

A contribution-sale of securities in BERKEM DÉVELOPPEMENT was carried out by HOF to GROUPE BERKEM on 8 March 2021. On this date, the latter became the holding company of BERKEM DÉVELOPPEMENT.

This contribution-sale involved 33,485,060 ordinary shares of BERKEM DÉVELOPPEMENT, i.e. 81% of the capital and voting rights. In consideration for this contribution, GROUPE BERKEM carried out a capital increase of €29,135 thousand.

The remainder of the BERKEM DÉVELOPPEMENT shares held by HOF were acquired by GROUPE BERKEM. This sale operation involved 5,014,938 shares of BERKEM DÉVELOPPEMENT, i.e. approximately 12% of the capital and voting rights of the company.

At the same time, the company name IMMOBILIÈRE ET FONCIÈRE was changed to GROUPE BERKEM.

On 31 March 2021, financial partners validated the waiver requests made by the Group for non-compliance with the financial ratios for the 2020 financial year and maintained the terms of the initially planned repayment schedules.

On 24 June 2021, one of the workshops at the Lixol site in La Teste-De-Buch experienced an incident that led to its closure. Business interruption and property damage insurance has been invoked as well as the partial unemployment scheme.

## 2. Standards and procedures

### 2.1. Accounting standards

The consolidated financial statements of the GROUPE BERKEM are prepared in accordance with the accounting rules and principles in force in France. The provisions of the French Accounting Standards Authority (*Autorité des Normes Comptables*) Regulation No. 2020-01 are applied. The consolidated financial statements comply with the accounting principles defined below.

The consolidated financial statements comply with the accounting principles defined below:

- prudence;
- independence of financial years;
- consistency of accounting policies from one financial year to another;
- business continuity.

For the consolidated financial statements, the Group applies the mandatory methods and standards provided for in ANC Regulation No. 2020-01 and in particular:

- capitalisation of finance leases;
- inclusion of transfer taxes, fees and legal costs in the cost of assets;
- recognition of retirement benefit obligations and similar benefits;
- immediate recognition of start-up costs;
- capitalisation of bond issuance costs.

### 2.2. Presentation and comparability of financial statements

The consolidated financial statements are presented in thousands of euros. The euro is the functional currency of the Group's parent company, GROUPE BERKEM.

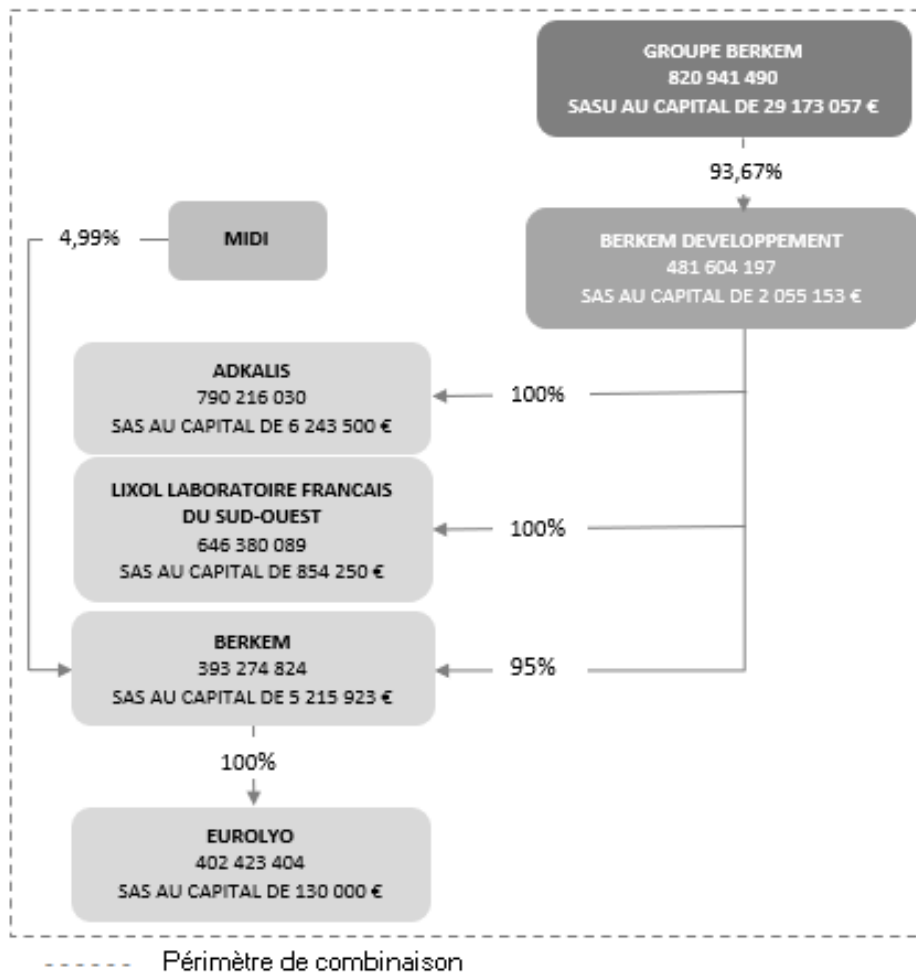
The position at 30 June 2021 covers a period of four months. The income items used for the preparation of the financial statements cover the period from 1 March 2021 to 30 June 2021.

### 2.3. Consolidation methods

The consolidated financial statements have been prepared using consistent accounting policies to account for similar transactions and events occurring under similar circumstances.

#### 2.3.1. Presentation of the scope of consolidation

On 8 March 2021, Groupe Berkem acquired a stake in BERKEM DÉVELOPPEMENT, thus becoming the parent company of Groupe Berkem.



	GROUPE BERKEM 820 941 490 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €29,173,057
4.99 % MIDI	BERKEM DEVELOPPEMENT 481 604 107 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €2,055,153
ADKALIS 790 216 030 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €6,243,500	100%

LUXOL LABORATOIRE FRANÇAIS DU SUD-OUEST 646 380 089 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €854,250	100%
BERKEM 393 274 824 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €5,215,923	95%
100% EUROLYO 402 423 404 SIMPLIFIED JOINT-STOCK COMPANY WITH A SHARE CAPITAL OF €130,000	
Scope of combination	

### 2.3.2. Consolidation method

GROUPE BERKEM is the parent company of the GROUPE BERKEM. All companies are currently controlled exclusively by GROUPE BERKEM. Controlled entities are all fully consolidated.

Units	June 2021		Consolidation method
	% interest	% control	
SAS GROUPE BERKEM	100.00%	100.00%	Parent company
SAS BERKEM DÉVELOPPEMENT	93.67%	93.67%	Full consolidation
SAS BERKEM	88.99%	95.00%	Full consolidation
SAS ADKALIS	93.67%	100.00%	Full consolidation
SAS EUROLYO	88.99%	100.00%	Full consolidation
SAS LIXOL LABORATOIRE FRANCAIS DU SUD-OUEST	93.67%	100.00%	Full consolidation

### 2.3.3. Business assets: goodwill and business goodwill

In accordance with regulatory provisions, goodwill represents the difference between the acquisition cost of equity interests and the acquiring company's share in the total valuation of assets and liabilities identified at the acquisition date.

This item therefore records differences resulting from an acquisition that could not be allocated to a fixed asset item.

Business assets, for which identifiable items have been recognised separately, are treated as goodwill on consolidation when they do not meet the identification criteria established by ANC Regulation No. 2020-01.

Positive goodwill is presented as an asset under “Goodwill – business assets”.

In the event of a negative difference, negative goodwill is recognised in provisions for risks and charges in the balance sheet, and reversed in consolidation over a period of 12 to 15 years.

## 2.4. Valuation methods and rules

### 2.4.1. Group management judgment and estimates

The preparation financial statements requires, on the part of management, the use of judgment, estimates and assumptions that have an impact on the amounts of assets and liabilities at the closing date as well as on the items of income for the period. These estimates take into account economic data that may vary over time and involve uncertainties.

The estimates and underlying assumptions are made based on past experience and other factors considered reasonable in the circumstances. They serve as a basis for the exercise of the judgment required to determine the carrying amounts of assets and liabilities, which cannot be obtained directly from other sources. Actual values may differ from estimated values.

Estimates and underlying assumptions are reviewed on an ongoing basis.

The impact of changes in accounting estimates is recognised during the period of the change if it only affects that period, or during the period of the change and subsequent periods if these are also affected by the change.

They mainly concern the assessment of the value of fixed assets, in particular intangible items (goodwill, business assets, capitalised research and development costs) and operating assets (deferred tax assets, for example).

#### 2.4.2. Finance leases

Transactions carried out by means of a finance lease are restated according to the same terms and conditions as a credit acquisition for their original lease value.

Depreciation is in accordance with the aforementioned methods and rates, and the tax impact of this restatement is taken into account.

In France, this mainly concerns finance leases, long-term leases and leases with an option to purchase the vehicles. The assets acquired through these leases are capitalised. The liability corresponding to the outstanding capital is recorded under financial liabilities.

Fixed assets are depreciated, with some exceptions, according to the depreciation periods used by the Group. In practice, for vehicle leases, residual values on equipment are very low (often  $\leq 1\%$  of the original value) and assets with an actual useful life close to the term of the lease. Furthermore, depreciation periods are often adjusted to the lease term. For industrial equipment leases, the depreciation period, aligned with the useful life, differs from that of the lease.

The rental payments are restated as depreciation and financial expenses:

	<b>30/06/2021 (4 months)</b>
Cancellation of rental payments	236
- Recognition of financial expenses	(12)
- Depreciation charges	(161)
<b>Impact on net income</b>	<b>62</b>

#### 2.4.3. Deferred tax status

In accordance with the provisions of the ANC Regulation No. 2020-01, the Group recognises deferred taxes in the event of:

- temporary differences between the tax value and carrying amounts of assets and liabilities;
- tax loss carryforwards.

Deferred tax assets and liabilities are offset for the same taxable entity. In accordance with ANC Regulation No. 2020-01, deferred tax assets are only taken into account:

- if their recovery does not depend on future results; or
- if their recovery is probable due to the existence of an expected taxable profit during their settlement period. Deferred tax assets on tax losses amounted to €772 thousand at 30 June 2021.

#### 2.4.4. Factoring

Transactions recorded with the factor show a receivable of €485 thousand at 30 June 2021, corresponding to the amounts retained for the guarantee fund, reserves for year-end bonuses and the replenishment account.

In addition, the total amount of receivables sold at 30 June 2021 and not recovered was €6,330 thousand. In application of the ANC Regulation No. 2020-01, because the Group records its asset sales transactions as a deduction from the balance of receivables, this amount does not appear on the balance sheet at 30 June 2021.

#### 2.4.5. Retirement benefit obligations and similar benefits

The amount of rights to be acquired by employees for the calculation of retirement benefits is determined according to their length of service and taking into account a percentage likelihood of being employed by the Company at retirement age.

These costs are all provisioned and taken into account in the income statement over the duration of the employee's service for the Group's entities concerned by such obligations and for which the valuation can be considered significant.

The method used by the Group is prospective. It takes into account the commitments outsourced by BERKEM under an IFC insurance contract, for an amount of €79 thousand. The provision is €1,120 thousand at 30 June 2021. The assumptions used are as follows:

<b>Assumptions used</b>			
<b>Discount rate</b>	Iboxx corporate AA10+	31/12/2020	0.35%
		28/02/2021	0.69%
		30/06/2021	0.79%
<b>Retirement age</b>	67 years for managers and non-managers		
<b>Salary growth rate</b>	2% constant (manager and non-manager)		
<b>Staff turnover rate</b>	1% manager		
	5% non-manager		
<b>Collective agreement</b>	Chemistry		
<b>Departure at the employee's initiative</b>			
<b>Mortality table</b>	TG 05		

#### 2.4.6 Distinction between non-recurring income and recurring income

Recurring income is income from activities in which the Company is engaged in the course of its business as well as ancillary activities that it undertakes on an incidental basis or as an extension to its normal activities.

Non-recurring income is the result of unusual events or transactions that are distinct from its normal activities and are not expected to occur frequently or regularly.

#### 2.4.7 Impairment (applicable to intangible assets and property, plant and equipment)

In the absence of any indication of impairment, no impairment test was performed. Goodwill is tested once a year at the end of the year by the Group.



### 3. Additional balance sheet information

#### 3.1. Intangible assets

	March 2021	Acquisitions	Disposals	Allocations in the financial year	Change in scope of consolidation	Reclassifications	June 2021
R&D costs	-	-	-	-	1,674	458	2,132
Concessions, patents and similar	-	59	-	-	11,601	-	11,660
Lease right	-	-	-	-	-	-	-
Goodwill – business assets	-	-	-	-	44,525	-	44,525
Brand	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	3	-	3
Intangible assets in progress	-	92	-	-	504	(458)	137
<b>Total intangible assets</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>-</b>	<b>58,307</b>	<b>-</b>	<b>58,458</b>
Amortisation and impairment of R&D costs	-	-	-	(91)	(747)	-	(839)
Concessions, patents and similar	-	-	-	(177)	(7,313)	-	(7,490)
Goodwill – business assets	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	(3)	-	(3)
<b>Total depreciation, amortisation and provisions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(268)</b>	<b>(8,063)</b>	<b>-</b>	<b>(8,332)</b>
<b>Total net value</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>(268)</b>	<b>50,244</b>	<b>-</b>	<b>50,126</b>

Intangible assets consist of development costs, software, patents, business assets and goodwill. The methods and depreciation periods used for other intangible assets are as follows:

- Marketing authorisations (MA): 10 years on a straight-line basis;
- Patents: 20 years on a straight-line basis;
- Development costs: three to five years on a straight-line basis;
- Software: three to five years on a straight-line basis.

### 3.1.1 Goodwill

	March 2021	Newly consolidated entities	De-consolidated entities	Allocations in the financial year	June 2021
BERKEM DÉV	0	42,615			42,615
<b>Total goodwill</b>	-	<b>42,615</b>	-	-	<b>42,615</b>
<b>Total depreciation and amortisation</b>	-	<b>0</b>	-	-	-
<b>Total net value</b>	-	<b>42,615</b>	-	-	<b>42,615</b>

#### **BERKEM DÉVELOPPEMENT**

GROUPE BERKEM took control of BERKEM DÉVELOPPEMENT following two successive transactions.

On 8 March 2021, HOF contributed 81% of the shares to Groupe Berkem. The valuation of the contribution of the Berkem Développement shares at the carrying amount of €29 million was validated in the contribution auditor's report according to two valuation methods (multiple of EBITDA and discounted cash flow forecasts). This contribution occurred along with the simultaneous acquisition of 12.2% of the Berkem Développement shares held by HOF. The acquisition price of these additional securities was agreed upon receipt of an external offer received by HOF from an investment fund.

In accordance with ANC regulation 2020-01, goodwill has been calculated for the following reasons: 1/ this acquisition cannot be considered as an internal transaction in the consolidated accounts of the GROUPE BERKEM because the seller is outside the GROUPE BERKEM scope and 2/ the optional method provided for in Article 232-9 is not applicable to this transaction.

For the sake of simplicity, GROUPE BERKEM calculated goodwill as at 8 March 2021 on the basis of interim statements prepared at 28 February 2021, it being specified that these positions were not audited:

	€ thousands
Acquisition cost (A)	38,254
Net position acquired	1,266
- Unidentified assets and liabilities assumed	(5,627)
Identified assets and liabilities acquired (B)	(4,361)
<b>Goodwill (A) - (B)</b>	<b>42,615</b>

Concerning the line "unidentified assets and liabilities assumed", €5.6 million corresponds mainly to unidentifiable business assets allocated to goodwill on a temporary basis.

The Group considered that the flows for the period from 1 March to 7 March 2021 were not material, therefore they were included in the consolidated interim income statement and not in goodwill.

Given the recent date of the acquisition, the valuation exercise has not yet been completed. The Company expects an allocation to unrecognised assets or assets to be revalued. For intangible assets, the allocation would relate to trademarks, patents, marketing authorisations and goodwill. For property,

plant and equipment, this allocation could relate to industrial production facilities (infrastructure, machinery, etc.).

There are patents, marketing authorisations, business assets and production facilities that could be revalued. Regarding patents, their useful lives would remain that currently determined by the Company and which corresponds to the term of their protection (20 years). Regarding marketing authorisations, their useful lives would remain that currently determined by the Company and which corresponds to the term of their validity (10 years). For tangible assets, the useful lives would remain those determined by the Company.

In accordance with Article 231-10 of the ANC Regulation No. 2020-01, goodwill has been calculated provisionally and will subsequently be allocated. Although the Company has until the 31 December 2022 closing date to make this goodwill allocation, it plans to advance it to 31 December 2021.

At this stage, the Company has not yet determined the useful life of any residual goodwill.

### 3.2. Property, plant and equipment

Property, plant and equipment are recognised at their historical acquisition value or their production cost. Depreciation and amortisation is calculated on a straight-line basis over the normal period of use of the goods. Depending on their nature:

- Structural work: 10 to 40 years;
- Heavy fittings: four to 30 years;
- Usual fittings, furniture and decoration: five years;
- IT equipment: two to five years;
- Vehicles: three to five years.

	Ma rch 202 1	Acquisi tions	Dispo sals	Alloca tions in the financ ial year	Reve rsals in the finan cial year	Reclassifi cations	Change in scope of consoli dation	June 2021
Land	-	4	-			21	958	982
Leased land	-	-	-			-	-	-
Buildings	-	107	-			-	12,020	12,127
Leased buildings	-	-	-			-	-	-
Technical facilities, machinery and equipment	-	113	-			53	13,657	13,823
Technical facilities, machinery and equipment under finance lease	-	-	-			-	2,003	2,003
Office equipment	-	-	-			-	3	3
Transport equipment	-	2	-			-	31	33
Transport equipment on finance lease		125					1,776	1,901
IT equipment	-	13	(3)			-	478	488
Other property, plant and equipment	-	1	(1)			-	942	942
Other property, plant and equipment under finance leases	-	-	-			-	-	-
Property, plant and equipment in progress	-	179	-			(74)	424	528

Advances and prepayments on property, plant and equipment	-	141	-	-	-	141		
<b>Total property, plant and equipment</b>	-	<b>684</b>	<b>(5)</b>		-	<b>32,290</b>	<b>32,970</b>	
Land	-	-	(5)	-	-	(161)	(165)	
Buildings	-	-	(181)	-	-	(7,229)	(7,410)	
Leased buildings	-	-	-	-	-	-	-	
Technical facilities, machinery and equipment	-	-	(250)	14	-	(11,314)	(11,550)	
Technical facilities, machinery and equipment under finance lease	-	-	(73)	-	-	(141)	(214)	
Office equipment	-	-	-	-	-	-	-	
Transport equipment	-	-	(3)	-	-	(24)	(27)	
Transport equipment on finance lease	-	-	(88)	-	-	(1,410)	(1,498)	
IT equipment	-	3	(10)	0	-	(427)	(434)	
Other property, plant and equipment	-	-	(18)	-	-	(490)	(507)	
Other property, plant and equipment under finance leases	-	-	-	-	-	-	-	
<b>Total depreciation, amortisation and provisions</b>	-	<b>3</b>	<b>(628)</b>	<b>14</b>	-	<b>(21,195)</b>	<b>(21,807)</b>	
<b>Total net value</b>	-	<b>684</b>	<b>(1)</b>	<b>(628)</b>	<b>14</b>	-	<b>11,095</b>	<b>11,163</b>

### 3.3. Financial assets

	March 2021	Acquisitions	Disposals	Change in scope of consolidation	June 2021
Investment securities	-	-	-	-	-
Receivables related to equity investments	-	-	-	-	-
Loans, guarantees and other receivables	-	24	(0)	215	239
Accrued interest on receivables and loans	-	-	-	-	-
Long-term investments	-	0	-	24	24
<b>Total financial assets</b>	-	<b>24</b>	<b>(0)</b>	<b>215</b>	<b>263</b>
Impairments of investment securities	-	-	-	-	-
Impairments on receivables and accrued interest	-	-	-	-	-
Impairments on loans, guarantees and other receivables	-	-	-	-	-
<b>Total impairments of financial assets</b>	-	-	-	-	-
<b>Total net value</b>	-	<b>24</b>	<b>0</b>	<b>215</b>	<b>263</b>

They mainly include loans, guarantees and other receivables, as well as non-consolidated investment securities. An impairment is recognised if their value in use for the Group falls below their carrying amount.

### 3.4. Inventories

	June 2021		
	Gross	Provision	Net
Raw materials, supplies	2,194	(42)	2,152
Intermediate and finished goods	5,064	(275)	4,789
Goods	-	-	-
<b>Total inventories</b>	<b>7,258</b>	<b>(317)</b>	<b>6,941</b>

Inventories consist of raw materials and other supplies. The consolidation valuation rules are identical to those applied in the parent company financial statements.

For the provision for impairment of inventories, management has defined a discount rate based on the inventory rotation period (more than 12 months without movement). The amount of the provision is determined by applying this rate to the value of inventories present at 30 June 2021:

- 60% for inventories with no movement for less than 24 months;
- 100% for inventories with no movement for more than 24 months (60% for inventories not managed by batch number).

The gross value of raw materials and other supplies includes the purchase price and ancillary costs. Finished goods are valued at the Industrial Cost Price (PRI), i.e. at production cost including:

- consumption as well as direct and indirect production costs;
- depreciation of assets used in production;
- to which a structure coefficient is applied *in fine*.

The cost of the sub-activity and interest are excluded from the value of inventories.

### 3.5. Impairment of trade receivables

	March 2021	Allocations in the financial year	Reversals in the financial year	Change in scope of consolidation	June 2021
Impairment of trade receivables and related accounts	-	0	4	(365)	(361)
<b>Total</b>	<b>-</b>	<b>0</b>	<b>4</b>	<b>(365)</b>	<b>(361)</b>
Impairments on receivables and accrued interest – current	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total impairment of current assets</b>	<b>-</b>	<b>0</b>	<b>4</b>	<b>(365)</b>	<b>(361)</b>

Trade receivables are recognised at their nominal value. An impairment provision is recognised when, at stock-taking, a risk of non-recovery exists

### 3.7. Cash

June 2021

<b>Asset</b>	
Marketable securities	70
Cash and cash equivalents	5,077
<b>Liabilities</b>	
Bank overdrafts	(146)
<b>Total net cash</b>	<b>5,001</b>

The change in cash is detailed in the cash flow statements, presented on page 6, for the period from 1 March to 30 June 2021.

### 3.8. Shareholders' equity and quasi-equity

The statements of changes in equity are presented on page 5. The share of non-controlling interests amounted to €78 thousand on 30 June 2021.

### 3.9. Provisions

	March 2021	Allocations in the financial year	Reversals in the financial year	Change in the scope of consolidation	June 2021
Provision for acquisition of shares	-	-	-	-	-
Provisions for pensions and retirement	-	141	(162)	1,141	1,120
Other provisions for contingencies and charges	-	44	-	50	94
<b>Total provisions</b>	<b>-</b>	<b>185</b>	<b>(162)</b>	<b>1,191</b>	<b>1,214</b>

### 3.10. Financial liabilities

Changes in financial liabilities are as follows:

	2021.03	Augm.	Remb.	Var. de périmètre	Autres variations	2021.06
Emprunts obligataires	-	274	-	17 471	-	17 744
Emprunts auprès des établissements de crédit	-	3 460	-3 710	23 857	-0	23 608
Endettement lié au crédit-bail	-	125	-221	2 155	-	2 059
Autres emprunts et dettes assimilées	-	370	-0	555	-	925
Concours bancaires (trésorerie passive)	-	-	-	121	25	146
Autres emprunts et dettes assimilées	-	-	-	-	-	-
<b>Total dettes financières</b>	<b>-</b>	<b>4 229</b>	<b>-3 931</b>	<b>44 158</b>	<b>25</b>	<b>44 481</b>

The change in financial liabilities is as follows:

	June 2021	< 1 year	1 to 5 years	> 5 years
Loans from credit institutions	23,608	4,691	17,804	1,112
Bonds	17,744	-	17,744	-

Employee profit-sharing	-	-	-	-
Factor loan	-	-	-	-
Finance leases	2,059	582	1,349	127
Other borrowings and related debts	925	925	-	-
Cash liabilities	146	146	-	-
<b>Total financial liabilities</b>	<b>44,481</b>	<b>6,344</b>	<b>36,898</b>	<b>1,239</b>

### 3.10. Non-financial liabilities

	June 2021	< 1 year	1 to 5 years	> 5 years
Trade payables	5,059	5,059	-	-
Unpaid invoices	355	355	-	-
<b>Total trade and related payables</b>	<b>5,414</b>	<b>5,414</b>	<b>-</b>	<b>-</b>
Debt on acquired assets	44	44	-	-
Customers – Advances and down payments received	253	253	-	-
Social security payables	2,195	2,195	-	-
Tax liabilities	672	672	-	-
State – Income taxes	-	-	-	-
Group current accounts in debit	322	322	-	-
Deferred income	-	-	-	-
Other debts	173	173	-	-
<b>Total other liabilities and accruals</b>	<b>3,659</b>	<b>3,659</b>	<b>-</b>	<b>-</b>

## 4. Notes to the combined income statement

### 4.1. Turnover

The Group's consolidated turnover represents the cumulative amount of trading, services and production activities. Turnover is recognised on delivery for sales of goods and finished goods, and on completion for services.

The breakdown of Group turnover is as follows:

	June 2021
France	13,640
Export	3,967
<b>Total</b>	<b>17,607</b>

### 4.2. Reversals of depreciation, amortisation and provisions

Reversals of provisions break down as follows:

	June 2021
Reversal of impairment of raw materials and goods inventories	275
Reversal of impairment of receivables (current assets)	27

Reversal of provisions for retirement benefit obligations	162
<b>Total reversals of impairments and provisions</b>	<b>464</b>

#### 4.3. Capitalised production

The Group recognised capitalised production of €324 thousand in operating income for the following transactions:

##### Eurolyo

- Installation of the Lilou freeze-dryer: €37 thousand
- Installation of a remote control system: €9 thousand

##### Berkem SAS:

- Air handling unit at B11: €21 thousand
- Replacement of electrical cabinet and boiler controller: €28 thousand
- Welding workshop fit-out: €17 thousand
- Installation of an earthing management system for solvent delivery trucks and waste zone protection wall: €17 thousand
- Extension of building B8: €13 thousand

##### Lixol:

- Fire defence in storage building: €17 thousand
- 2 new storage tanks connected to production: €22 thousand
- Dilution workshop floor renovation: €6 thousand

##### Development of formulas, patents and pilots:

- Berkem Développement: commitment of €37 thousand to obtain marketing authorisations;
- Adkalis: development of the bio-sourced range for €91 thousand of which €23 thousand in personnel costs and €69 thousand in external costs.

#### 4.4. Tax credits and operating subsidies

The Group continued its research and development efforts. A portion of its expenses enabled the Group to claim tax credits in the amount of:

	June 2021
Research Tax Credit	256
Investment Tax Credit	6
Other grants	21
<b>Total operating subsidies</b>	<b>283</b>

For the sake of simplicity, the tax credits have been measured on the basis of four-sixths of the period January-June 2021.

The Group chose to recognise the research tax credit and the innovation tax credit as operating subsidies for the portion that cannot be directly attributed to capitalised development costs.

#### 4.5. Other income and expenses

Other income and expenses are comprised of individually insignificant amounts. They represent -€4 thousand at 30 June 2021.



#### 4.6. Purchases of raw materials, other supplies and goods & changes in inventories

The breakdown of purchases and changes in inventories, presented in the income statement, is as follows:

	June 2021
Purchase of raw materials & other supplies	(7,534)
Change in raw materials & other supplies	259
<b>Purchases consumed</b>	<b>(7,275)</b>

#### 4.7. Overall gross margin

The overall consolidated gross margin is as follows:

Turnover	17,607
Production in inventory	521
Purchases consumed	(7,275)
<b>Gross margin</b>	<b>10,853</b>
<b>Gross margin rate</b>	<b>62%</b>

#### 4.8. Other purchases and external expenses

The breakdown of other purchases and external expenses, presented in the income statement, is as follows:

	June 2021
Purchases of materials and supplies not in inventory	448
General subcontracting	91
Finance lease repayments	16
Rentals and rental expenses	191
Maintenance and repairs	125
Insurance premiums	126
Studies and research	231
Miscellaneous	27
Compensation of temporary staff & fees	726
Advertising	57
Transportation	672
Travel, assignments	193
Postal charges	48
Banking services	23
Other external expenses	151
<b>Total other purchases and external expenses</b>	<b>3,125</b>

#### 4.9. Taxes and duties

The breakdown of taxes and duties, presented in the income statement, is as follows:

	<b>June 2021</b>
Taxes and duties on compensation	(125)
Other taxes and duties	(223)
<b>Taxes and duties</b>	<b>(348)</b>

#### 4.10. Personnel expenses

The breakdown of personnel expenses, presented in the income statement, is as follows:

	<b>June 2021</b>
Personnel compensation	(2,808)
Social security and welfare expenses	(1,218)
Other personnel expenses (including profit-sharing)	(54)
<b>Personnel expenses</b>	<b>(4,080)</b>

#### 4.11. Other expenses

Other expenses totalled €87 thousand.

#### 4.12. Depreciation of fixed assets

Allocations relating to fixed assets break down as follows:

	<b>June 2021</b>
Depreciation and amortisation of intangible assets	(268)
Depreciation and amortisation of property, plant and equipment	(627)
<b>Total depreciation and amortisation of fixed assets</b>	<b>(895)</b>

#### 4.13. Provisions

Provisions break down as follows:

	<b>June 2021</b>
Amortisation of operating expenses to be distributed	(51)
Impairment of raw materials and goods inventories	(335)
Provision for retirement benefit obligations	(141)
<b>Total depreciation, amortisation and provisions</b>	<b>(527)</b>

#### 4.14. Net financial income

Net financial income breaks down as:

	June 2021
Income from investments	0
Income from marketable securities	-
Foreign exchange gains	10
Other financial income	1
Income from other financial assets	24
Reversals of provisions	-
<b>Total financial income</b>	<b>35</b>
Interest expense on borrowings	(787)
Foreign exchange losses	(13)
Other financial expenses	(18)
Provisions	(0)
<b>Total financial expenses</b>	<b>(818)</b>
Allowance for/Amortisation of bond redemption premiums	(42)
<b>Total net change in financial impairments and provisions</b>	<b>(42)</b>
<b>Total net financial income</b>	<b>(826)</b>

#### 4.15. Non-recurring income

Non-recurring income breaks down as:

	June 2021
Income from disposals of fixed assets	208
Other non-recurring income	23
Reversals of provisions	14
<b>Total non-recurring income</b>	<b>245</b>
Carrying amount of assets sold	-
Other non-recurring expenses	(1,019)
Extraordinary provisions	(46)
<b>Total non-recurring expenses</b>	<b>(1,065)</b>
<b>Total non-recurring net income</b>	<b>(820)</b>

Other non-recurring expenses mainly correspond to fees related to Groupe Berkem's IPO.

#### 4.16. Income tax breakdown

The "Income tax" item in the income statement breaks down as follows:

	June 2021
Deferred taxes	(20)
Tax payable	(4)
Income or tax expense related to tax consolidation	(370)

## 5. Other information

### 5.1. Headcount

At 30 June 2021, the average headcount was 164.

### 5.2. Statutory Auditors' fees

The Statutory Auditors' fees amounted to €39.7 thousand for the position at 30 June 2021.

### 5.3. Compensation of corporate officers

Management has chosen not to disclose the amounts relating to the compensation of corporate officers, as this would amount to mentioning individual compensation items.

## 6. Events after the closing of the half-year consolidated financial statements

None.

## 7. Off-balance sheet commitments

### 7.1. Ratio compliance

The Group is subject to compliance with the following ratios for its financial commitments:

- Ratios to be respected with senior lenders
  - o Senior financial leverage ratio (Net senior debt/EBITDA):
    - $\leq 2.5x$  for 2021
  - o Debt service coverage ratio  $\geq 1.10x$
- Ratios to be respected with OCA holders
  - o Senior financial leverage ratio (Net senior debt/EBITDA):
    - $\leq 2.5x$  for 2021
  - o Overall financial leverage ratio (Net debt/EBITDA):  $\leq 5x$

### 7.2. Commitments given

In October 2018, BERKEM DÉVELOPPEMENT pledged 100% of the securities of BERKEM, ADKALIS, T&G Belgium and LIXOL as collateral:

- a senior loan of €20 million granted by Crédit Agricole d'Aquitaine, Caisse d'Épargne Aquitaine Poitou Charentes and Banque Populaire Centre Atlantique; and
- a bond issue of €12.6 million subscribed by the NOVI 2 fund.

In October 2018, BERKEM DÉVELOPPEMENT also subscribed to two interest rate hedging transactions:

- with NATIXIS, a swap on a notional amount of €3,366 thousand (amortisable) exchanging 3M EURIBOR for a fixed rate of 0.38750% *per annum* over the period from 16 October 2018 to 16 October 2022;
- with NATIXIS, a swap on a notional amount of €2,754 thousand (amortisable) exchanging 3M EURIBOR for a fixed rate of 0.38750% *per annum* over the period from 16 October 2018 to 16 October 2022;

- with Crédit Agricole, a swap on a notional amount of €4,080 thousand exchanging 3M EURIBOR for a fixed rate of 0.415% *per annum* over the period from 16 October 2018 to 16 October 2022.

A portion of the capital of BERKEM DÉVELOPPEMENT (6.33%) is held by 540 individuals, represented by M Capital under a management mandate (ISF). The shares held are preferred shares (ADP 2015), with GROUPE BERKEM having the option of buying back these ADP 2015 from 1 January 2021. In the event of such purchase, the ADP 2015 will be automatically converted into ordinary shares. The redemption price is set at 120% of the nominal amount plus an additional 1% each month from 1 January 2021.

A portion of the capital of BERKEM (4.99%) is also held by 540 individuals, represented by M Capital under a management mandate (ISF). The shares held are preferred shares (ADP 2015). BERKEM DÉVELOPPEMENT has the option to buy back these ADP 2015 from 1 January 2021, and in the event of such purchase, the ADP 2015 will be automatically converted into ordinary shares. The redemption price is set at 120% of the nominal amount plus an additional 1% each month from 1 January 2021.

It is planned that the BERKEM DÉVELOPPEMENT ADP 2015 and the BERKEM ADP 2015 will be acquired by GROUPE BERKEM and BERKEM DÉVELOPPEMENT respectively following the listing of the Company's shares on Euronext Growth Paris.

### **Decontamination costs**

No off-balance sheet commitments have been recorded because the decontamination costs cannot be precisely estimated as they depend on the results of monthly analyses. The results are provided monthly to French State services (DREAL and the Prefecture). The Group states that 7 years ago it subscribed to insurance providing a financial guarantee of decontamination; this guarantees that the site will be decontaminated even if the Group is not solvent to do so. The Group believes that it has decontaminated almost all of the initial situation.



**GROUPE BERKEM**

**COMBINED ACCOUNTS**

**INTERIM FINANCIAL STATEMENTS CLOSED ON 30 JUNE 2020**

**GROUPE BERKEM**

**20, rue Jean Duvert**

**33290 BLANQUEFORT, FRANCE**

## **CAUTIONARY NOTICE**

The combined financial statements of GROUPE BERKEM, concerning the interim financial statements at 30 June 2020 correspond to the sum of the parent company financial statements of GROUPE BERKEM, and the consolidated financial statements of BERKEM DÉVELOPPEMENT, BERKEM, ADKALIS, LIXOL, and EUROLYO.

The financial statements presented are referred to as “combined” within the meaning of AMF recommendation No. 2013-08.

## COMBINED FINANCIAL STATEMENTS



## Combined balance sheet

	June 2020		
	Gross values	Amortisation of provisions	Net value
<b>Intangible assets</b>	<b>22,042</b>	<b>(9,920)</b>	<b>12,122</b>
Research & Development costs	845	(659)	187
Concessions, patents and similar	11,337	(6,926)	4,411
Goodwill – business assets	9,043	(2,333)	6,710
Other intangible assets	3	(3)	0
Assets under construction/Advances & prepayments	814		814
<b>Property, plant and equipment</b>	<b>30,831</b>	<b>(20,374)</b>	<b>10,456</b>
Land	958	(152)	805
Buildings	11,558	(6,865)	4,693
Technical facilities, machinery and equipment	14,809	(10,857)	3,952
Other property, plant and equipment	3,003	(2,501)	502
Assets under construction/Advances & prepayments	504		504
<b>Financial assets</b>	<b>5,605</b>	<b>(1,858)</b>	<b>3,747</b>
Equity investments and related receivables	0	-	0
Other long-term investments	24		24
Loans	5,368	(1,858)	3,510
Other financial assets	213		213
<b>Total fixed assets</b>	<b>58,478</b>	<b>(32,153)</b>	<b>26,325</b>
<b>Inventories and work in progress</b>	<b>6,488</b>	<b>-</b>	<b>6,488</b>
<b>Receivables</b>	<b>13,909</b>	<b>(583)</b>	<b>13,325</b>
Trade receivables	4,431	(433)	3,999
Deferred taxes	1,273		1,273
Other receivables	8,205	(151)	8,054
<b>Miscellaneous</b>	<b>6,110</b>	<b>(0)</b>	<b>6,110</b>
Prepaid expenses	241		241
Marketable securities	70	(0)	70
Cash and cash equivalents	5,799		5,799
<b>Current assets</b>	<b>25,507</b>	<b>(584)</b>	<b>25,923</b>
Deferred expenses	492		492
Bond redemption premium	416		416
<b>Accruals, prepayments and sundry assets</b>	<b>908</b>	<b>-</b>	<b>908</b>
<b>Total ASSETS</b>	<b>85,893</b>	<b>(32,736)</b>	<b>53,156</b>

## Combined balance sheet

	<b>June 2020</b>
	<b>Net value</b>
Capital	2,055
Additional paid-in capital	2,487
Group reserves	
Legal reserves	206
Other reserves	(7,863)
Retained earnings	
Net income for the financial year	1,473
Other	
<b>Total shareholders' equity (attributable to owners of the parent)</b>	<b>(1,643)</b>
<b>Non-controlling interests</b>	<b>461</b>
Reserves from non-controlling interests	440
Income from non-controlling interests	21
<b>Total shareholders' equity</b>	<b>(1,182)</b>
Provisions for contingencies	50
Provisions for charges	1,097
Goodwill – Liabilities	
<b>Provisions for liabilities and charges</b>	<b>1,147</b>
Borrowings and financial debt	
Convertible bonds	16,559
Other bonds	
Borrowings and debt from banks	<b>27,520</b>
<i>Loans from credit institutions</i>	25,175
<i>Loans from credit institutions – Finance leases</i>	1,991
<i>Bank overdrafts</i>	354
Borrowings and other financial debt	594
Borrowings and other financial debt – Partners	340
Trade and related payables	4,809
Other debts	3,363
Deferred income	5
<b>Debts</b>	<b>53,191</b>
<b>Total LIABILITIES</b>	<b>53,156</b>

## Combined income statement

June 2020

<b>Turnover</b>	<b>19,904</b>
Other income	934
<b>Operating income</b>	<b>20,838</b>
Purchases consumed	(7,677)
External expenses	(3,360)
Taxes and duties	(401)
Personnel expenses	(4,856)
Depreciation, amortisation and provisions	(1,372)
Other operating expenses	(213)
<b>Operating expenses</b>	<b>(17,880)</b>
<b>Operating income</b>	<b>2,958</b>
Financial income	222
Financial expenses	(1,159)
<b>Net financial income</b>	<b>(937)</b>
Financial income and expenses	
<b>Current net income of consolidated companies</b>	<b>2,021</b>
Extraordinary income	52
Non-recurring expenses	(223)
<b>Non-recurring income</b>	<b>(170)</b>
Non-recurring expenses and income	
<b>Net income before income tax and profit-sharing</b>	<b>1,851</b>
Income tax	(372)
<b>Net income of consolidated companies</b>	<b>1,479</b>
Share of net income of equity-accounted companies	
Amortisation of goodwill	15
<b>Net income of the consolidated group</b>	<b>1,494</b>
Non-controlling interests	21
<b>Net income (attributable to owners of the parent)</b>	<b>1,473</b>

Statement of changes in shareholders' equity

	Capital	Group reserves and retained earnings	Additional paid-in capital	Net income for the period	Shareholders' equity attributable to owners of the parent	Shareholders' equity attributable to non-controlling interests	Total
<b>Opening position January 2021</b>	<b>2,055</b>	<b>(7,954)</b>	<b>2,487</b>	<b>297</b>	<b>(3,115)</b>	<b>440</b>	<b>(2,675)</b>
Appropriation of net income N-1		297		(297)	-		-
Dividends paid					-		-
Net income 30 June 2020				1,473	1,473	22	1,495
Change in capital					-		-
Other changes					-		-
Change in percentage interest or consolidation scope					-		-
Corrections to retained earnings		0			0		0
<b>Closing position June 2020</b>	<b>2,055</b>	<b>(7,657)</b>	<b>2,487</b>	<b>1,473</b>	<b>(1,642)</b>	<b>462</b>	<b>(1,180)</b>

## Cash flow statement

**June 2020**

Total net income of consolidated companies	1,494
Allocations to/reversals of depreciation, amortisation and impairments	1,339
Capital gains and losses on asset disposals, net of tax	(19)
Change in deferred tax	(93)
Other transactions with no cash impact	900
<b>Cash flow</b>	<b>3,621</b>
Change in inventories	146
Change in customer accounts receivable	3,127
Changes in receivables and other debtors	(2,966)
Change in trade payables	(211)
Change in payables and other creditors	(3,127)
Other	3,319
<b>Change in working capital requirement</b>	<b>229</b>
<b>Net cash flow from operating activities</b>	<b>3,850</b>
Acquisitions of	(1,926)
Disposals of fixed assets	(5)
Reduction in other financial assets	39
Impact of changes in scope	
<b>Net cash flow from investments</b>	<b>(1,892)</b>
Dividends paid during the financial year	
Capital increases/reductions	
Bond issues	6,878
Bond redemptions	(1,041)
Change in current accounts	(3,158)
Net change in bank overdrafts	
<b>Net cash flow from financing activities</b>	<b>2,678</b>
Impact of exchange rate fluctuations	
<b>Change in cash position</b>	<b>4,636</b>
Opening cash	879
Closing cash	5,515

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

## 2. Significant events

The Covid-19 health crisis and the enactment of the state of health emergency by Law No. 2020-29 of 23 March 2020 had an impact at 30 June 2020.

In accordance with the provisions of the French General Chart of Accounts on information to be mentioned in the notes to the financial statements, the Company observes that this health crisis has had a significant impact on its business since 16 March 2020, without however affecting its ability to continue as a going concern.

Despite an encouraging start to 2020 in terms of business and profitability, events and impacts related to the Covid-19 pandemic halted this momentum. At the closing date of the Company's financial statements at 30 June 2020, and in view of the rapidly changing situation, it is difficult at this stage to estimate the impact of the crisis on the Group's assets, financial position and results.

In this unprecedented context, the health and safety of employees and customers is the priority. Several measures have therefore been put in place within the Group's structures.

### a) Salary measures

The furlough measures proposed by the Government and necessary to maintain employment were applied for and granted in ADKALIS, BERKEM, BERKEM DÉVELOPPEMENT and LIXOL.

### b) Financial measures

#### ***BERKEM DÉVELOPPEMENT***

The company applied for and obtained a State-Guaranteed Loan of €500,000 (granted by Crédit Agricole d'Aquitaine) as well as an *Atout* loan of €500,000 from BPI, to support cash flow and weather this crisis.

The company also opted to postpone its social security contributions (URSSAF and pensions) for March, April and May 2020. In total, the amounts deferred total €233,637. Lastly, it requested and was granted by its partners a deferral of its loan repayments:

- Senior loan, Tranche A: deferral of 50% of the repayment of the principal (i.e. €928,571.50) over the remaining five annual instalments;
- Capitalisation of the repayment at 30 June 2020 of the cash interests of the IDINVEST CB;
- Spreading the repayment due on 30 June 2020 to MIDI CAPITAL for ISF shares over four months;
- Deferral of the final repayments of other loans by six months: BPI.

## SUBSIDIARIES:

#### ***ADKALIS***

The company applied for and obtained a State-Guaranteed Loan of €600,000 (granted by Banque Palatine) to support cash flow and weather this crisis.

The company has also opted to defer its social security contributions (URSSAF and pensions) for March, April and May 2020. In total, the amounts deferred represent €243,628.

#### ***BERKEM***

The company requested and obtained two State-Guaranteed Loans for €600,000 (granted by Banque Populaire Aquitaine) and €500,000 (granted by Crédit Coopératif) to support cash flow and weather this crisis.

The company has also opted to defer its social security contributions (URSSAF and pensions) for March, April and May 2020. In total, the amounts deferred represent €221,333. Lastly, it requested and was granted by its partners a deferral of its loan repayments:

- Spreading the repayment due on 30 June 2020 to MIDI CAPITAL for ISF shares over four months;
- Deferral of the final repayments of other loans by six months: BPI and Crédit Coopératif.

#### **LIXOL**

The company requested and obtained a State-Guaranteed Loan for €500,000 (granted by the Caisse d'Épargne Aquitaine Poitou Charentes) to support cash flow and weather this crisis.

The company has also opted to defer its social security contributions (URSSAF and pensions) for March, April and May 2020. In total, the amounts deferred represent €44,430. Lastly, it requested and was granted from the Caisse d'Épargne a six-month deferral of loan repayments.

#### **EUROLYO**

No particular financial measures were taken, the level of cash being sufficient to weather the crisis.

### **c) Outlook**

In view of these measures and the Group's situation at the date of the financial statements, the Group's management believes that its continued operation is not in question.

### **d) Activity**

In order to meet the needs of both public and private customers, at the time of the Covid-19 health crisis, the Group developed and marketed hydroalcoholic gel and related products. The revenue generated on this occasion is as follows:

Group entities	Turnover (in thousands of euros)
BERKEM	€168K
ADKALIS	€302K
T&G DISTRIBUTION	€66K
<b>Total KOALIB revenue</b>	<b>€536K</b>

## 3. Standards and procedures

### 3.1. Accounting standards

The combined financial statements include the sum of:

- the parent company financial statements of GROUPE BERKEM, which will become the Group's holding company; and
- the *pro forma* consolidated financial statements of the BERKEM DÉVELOPPEMENT group with the exception of T&G DISTRIBUTION, T&G BV and T&G DISTRIBUTION SPAIN.

The provisions of the General Chart of Accounts (parent company financial statements) and Regulation No. 99-02 of the French Accounting Regulation Committee (consolidated financial statements) have been applied to the combined financial statements.

The combined financial statements comply with the accounting principles defined below.

The following principles were applied:

- prudence;



- independence of financial years;
- consistency of accounting policies from one financial year to another;
- business continuity.

For the combined financial statements, the “Group” applies the preferential methods recommended under CRC Regulation No. 99-02:

- capitalisation of finance leases;
- recognition of retirement benefit obligations and similar benefits;
- capitalisation of bond issuance costs.

## 2.4. Presentation and comparability of financial statements

The financial statements are presented in euros. The euro is the functional currency of the Group’s parent company, GROUPE BERKEM. All financial data are rounded to the nearest euro.

The position at 30 June 2020 covers a period of six months.

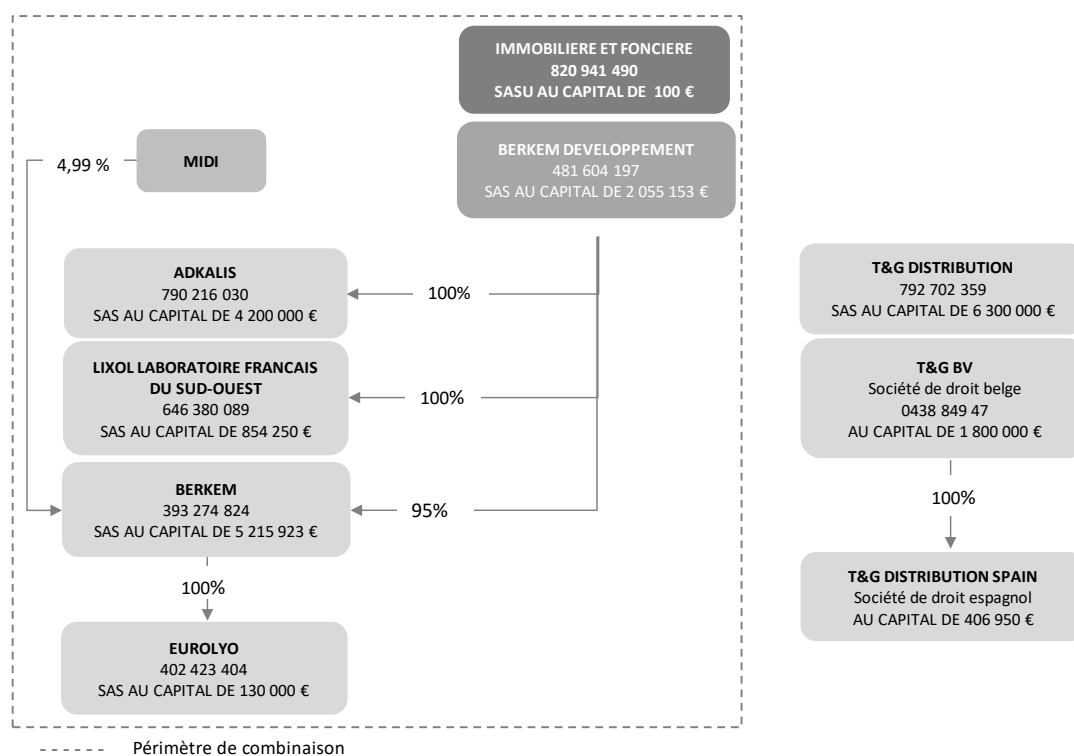
## 2.5. Combination methods

The combined financial statements have been prepared using consistent accounting policies to account for similar transactions and events occurring under similar circumstances.

### 2.5.1. Presentation of the combined scope of consolidation

Over the period from 1 January 2020 to 30 June 2020, the Group’s organisation chart remained the same.

At the date of preparation of these combined financial statements, GROUPE BERKEM did not have any capital ties with the Group.



### 2.5.2. Combination methods

The combined financial statements at 30 June 2020 were prepared excluding the T&G business unit. The income from the disposal of the T&G DISTRIBUTION and T&G BV investment securities was anticipated at the opening of the 2018 financial statements.

The entries related to this restatement were recorded in the combined financial statements:

- Cancellation of investment securities in T&G business units;
- Cancellation of impairments relating to these securities;
- Reclassification of receivables related to T&G investments as loans.

However, the transactions carried out by the entities included in the combination with the T&G business unit are maintained, T&G being considered a third party to the Group.

### 2.5.3. Business assets: goodwill and business goodwill

In accordance with regulatory provisions, goodwill represents the difference between the acquisition cost of equity interests and the acquiring company's share in the total valuation of assets and liabilities identified at the acquisition date.

This item therefore records differences resulting from an acquisition that could not be allocated to a fixed asset item.

Business assets, for which identifiable items have been recognised separately, are treated as goodwill on consolidation when they do not meet the identification criteria established by CRC Regulation No. 99-02.

Positive goodwill is maintained as an asset under “Business assets”.

The Group has applied ANC Regulation 2015-06 introducing the notion of unlimited useful life for intangible assets. Indeed, an unlimited useful life has been retained.

The analysis of the physical, technical, legal or economic criteria of each asset does not reveal a limited useful life. In view of these criteria, no intangible asset has a limited consumption period of expected economic benefits.

The Group's intangible assets are not backed by contracts or deeds with a limited period of use or protection.

In the event of a negative difference, negative goodwill is recognised in provisions for risks and charges in the balance sheet, and reversed in consolidation over a period of 12 to 15 years.

In accordance with ANC Regulation No. 2015-06, the Company performs an impairment test each year on goodwill, to determine whether there is an indication of impairment. The results of these tests do not give rise to an impairment.

At 30 June 2020, as this was an interim position, no impairment test was performed.

## 3.4. Valuation methods and rules

### 2.4.1. Group management judgment and estimates

The preparation financial statements requires, on the part of management, the use of judgment, estimates and assumptions that have an impact on the amounts of assets and liabilities at the closing date as well as on the items of income for the period. These estimates take into account economic data that may vary over time and involve uncertainties.

The estimates and underlying assumptions are made based on past experience and other factors considered reasonable in the circumstances. They serve as a basis for the exercise of the judgment required to determine the carrying amounts of assets and liabilities, which cannot be obtained directly from other sources. Actual values may differ from estimated values.

Estimates and underlying assumptions are reviewed on an ongoing basis.

The impact of changes in accounting estimates is recognised during the period of the change if it only affects that period, or during the period of the change and subsequent periods if these are also affected by the change.

They mainly concern the assessment of the value of fixed assets, in particular intangible items (goodwill, capitalised research and development costs) and operating assets (deferred tax assets, for example).

#### 2.4.2. Finance leases

Transactions carried out by means of a finance lease are restated according to the same terms and conditions as a credit acquisition for their original lease value.

Depreciation is in accordance with the aforementioned methods and rates, and the tax impact of this restatement is taken into account.

In France, this mainly concerns finance leases, long-term leases and leases with an option to purchase the vehicles. Leases for industrial equipment have also been signed in ADKALIS, BERKEM, EUROLYO and LIXOL during financial years 2019 and 2020. The assets acquired through these leases are capitalised. The liability corresponding to the outstanding capital is recorded under financial liabilities.

Fixed assets are depreciated, with some exceptions, according to the depreciation periods used by the Group. In practice, for vehicle leases, residual values on equipment are very low (often  $\leq 1\%$  of the original value) and assets with an actual useful life close to the term of the lease. Furthermore, depreciation periods are often adjusted to the lease term. For industrial equipment leases, the depreciation period, aligned with the useful life, differs from that of the lease.

GROUPE BERKEM is not affected by this type of lease.

The rental payments are restated as depreciation and financial expenses:

	<b>30/06/2020</b> <b>(6 months)</b>
Cancellation of rental payments	252
- Recognition of financial expenses	(26)
- Depreciation charges	(206)
<b>Impact on net income</b>	<b>21</b>

#### 2.4.3. Deferred tax status

In accordance with the provisions of CRC 99-02, the Group recognises deferred taxes in the event of:

- temporary differences between the tax value and carrying amounts of assets and liabilities;
- tax loss carryforwards.

Deferred taxes are calculated using the liability method, applying the latest tax rate in force for each company.

Deferred taxes are calculated using the liability method, applying the latest tax rate in force for each company.

Deferred tax assets and liabilities are offset for the same taxable entity. In accordance with CRC Regulation 99-02, deferred tax assets are only taken into account:

- if their recovery does not depend on future results; or

- if their recovery is probable due to the existence of an expected taxable profit during their settlement period.

No deferred tax was calculated for GROUPE BERKEM, the items involved not being significant.

#### 2.4.4. Factoring

Transactions recorded with the factor show a receivable at 30 June 2020 of €1,201 thousand corresponding to the amounts retained for the guarantee fund, reserves for year-end bonuses and the replenishment account.

In addition, the total amount of receivables sold at 30 June 2020 and not recovered is €4,027 thousand. In accordance with the general chart of accounts, these amounts do not appear in the Group's assets to the extent that they have been derecognised.

These transactions do not concern GROUPE BERKEM, which does not use factoring.

#### 2.4.5. Retirement benefit obligations and similar benefits

The amount of rights to be acquired by employees for the calculation of retirement benefits is determined according to their length of service and taking into account a percentage likelihood of being employed by the Company at retirement age.

These costs are all provisioned and taken into account in the income statement over the duration of the employee's service for the entities BERKEM DÉVELOPPEMENT, BERKEM, ADKALIS, LIXOL and EUROLYO, the Group's entities concerned by such obligations and for which the valuation can be considered significant. It should be noted that GROUPE BERKEM is not concerned by such commitments, given that it has no employees.

The method used by the Group is prospective. It takes into account the commitments outsourced by BERKEM under an IFC insurance contract, for an amount of €67 thousand at 30 June 2020. The assumptions used are as follows:

	<b>Assumptions</b>
Discount rate	0.77%
Employee turnover rate	Managers 1% – Employees 5%
Wage growth	2% constant
Payroll tax rate	Managers 45% – Employees 40%
Retirement age	Managers 67 years – Employees 67 years
Mortality table	TG 05
Collective agreement	Chemistry

#### 2.4.6 Distinction between non-recurring income and recurring income

Recurring income is income from activities in which the Company is engaged in the course of its business as well as ancillary activities that it undertakes on an incidental basis or as an extension to its normal activities.

Non-recurring income is the result of unusual events or transactions that are distinct from its normal activities and are not expected to occur frequently or regularly.

#### 4. Additional balance sheet information

##### 3.1. Intangible assets

	December 2019	Acquisitions	Disposals	Allocations in the financial year	June 2020
Concessions, patents and similar	11,102	235			11,337
Goodwill – business assets	9,043				9,043
Development costs	845				845
Other intangible assets	3				3
Intangible assets in progress	586	229			814
<b>Total intangible assets</b>	<b>21,579</b>	<b>464</b>	<b>-</b>	<b>-</b>	<b>22,042</b>
Concessions, patents and similar	(6,629)			(297)	(6,926)
Business assets	(2,333)				(2,333)
Depreciation/impairment of development expenses	(633)			(25)	(659)
Other intangible assets	(3)			(0)	(3)
<b>Total depreciation, amortisation and provisions</b>	<b>(9,598)</b>	<b>-</b>	<b>-</b>	<b>(322)</b>	<b>(9,920)</b>
<b>Total net value</b>	<b>11,981</b>	<b>464</b>	<b>-</b>	<b>(322)</b>	<b>12,122</b>

Intangible assets consist of development costs, software, patents, business assets and goodwill. The methods and depreciation periods used for other intangible assets are as follows:

- Marketing authorisations (MA): 10 years on a straight-line basis;
- Patents: 20 years on a straight-line basis;
- Development costs: five years on a straight-line basis;
- Software: three to five years on a straight-line basis.

The combination of GROUPE BERKEM's parent company financial statements has no impact on intangible assets.

### 3.1.1 Goodwill

	30/06/2020		
	Gross	Depreciation, amortisation and impairment	Net value
<b>Goodwill – assets</b>	<b>2,787</b>	-	<b>2,787</b>
EUROLYO	128	-	128
LIXOL	2,659	-	2,659
<b>Business assets treated as goodwill</b>	<b>4,346</b>	<b>2,333</b>	<b>2,013</b>
ADKALIS	3,345	(1,866)	1,479
BERKEM DÉVELOPPEMENT – TIB fund	1,001	(467)	534
<i>Goodwill and business assets treated similarly</i>	<i>7,132</i>	<i>2,333</i>	<i>4,800</i>
<b>Goodwill – liabilities</b>	<b>836</b>	<b>836</b>	<b>-</b>
BERKEM	836	836	-

#### ***EUROLYO***

BERKEM acquired EUROLYO on 28 February 2018. This transaction generated goodwill in the amount of €128 thousand.

#### ***LIXOL***

The acquisition of 100% of the shares in LIXOL by BERKEM DÉVELOPPEMENT generated goodwill in the amount of €2,659 thousand.

#### ***ADKALIS***

The SARPAP and TERMIFILM business goodwill, recorded in ADKALIS's balance sheet for respectively €1,145 thousand and €2,200 thousand were treated as goodwill on consolidation.

#### ***BERKEM DÉVELOPPEMENT: TIB fund***

TRAITEMENT INDUSTRIEL DU BOIS (TIB) business goodwill, which is recorded on BERKEM DÉVELOPPEMENT's balance sheet in the amount of €1,001 thousand, was treated as goodwill on consolidation.

#### ***BERKEM***

BERKEM DÉVELOPPEMENT successively acquired 51.30% of the securities of BERKEM in 2005, an additional 29.07% in 2008, and again 6.47% in 2011, to finally hold 100% of the subsidiary's capital after the purchase of the remaining 13.16% in 2012. These transactions generated negative goodwill totalling €836 thousand. The entrance of a minority interest holder in BERKEM in 2015 brought the percentage holding to 95.01%.

This did not impact goodwill in accordance with CRC Regulation No. 99-02. The negative goodwill in 2005 is amortised over a period of 15 years, and its residual value was nil at 31 December 2020.

### 3.1.2 Business goodwill

#### ***ADKALIS***

30/06/2020

	Gross	Depreciation, amortisation and impairment	Net value
<b>Business assets</b>	<b>1,910</b>		<b>1,910</b>
ADKALIS	1,910		1,910

The Company's business assets corresponds to the XYLOPHÈNE assets, acquired for €1,250 thousand, and the TERMIPROTECT assets, acquired for €500 thousand, as well as the related acquisition costs, for respectively €115 thousand and €46 thousand.

### 3.2. Property, plant and equipment

Property, plant and equipment are recognised at their historical acquisition value or their production cost. Depreciation and amortisation is calculated on a straight-line basis over the normal period of use of the goods. Depending on their nature:

- Structural work: 10 to 40 years;
- Heavy fittings: four to 30 years;
- Usual fittings, furniture and decoration: five years;
- IT equipment: two to five years;
- Vehicles: three to five years.

The combination of the parent company financial statements of GROUPE BERKEM has no impact on property, plant and equipment.

	December 2019	Acquisitions	Disposals	Allocations in the financial year	Reclassifications	Corrections to retained earnings	June 2020
Land	717						717
Improvements to land	241						241
Buildings	11,004	62			492		11,558
Technical facilities, machinery and equipment	12,557	998				1,253	14,809
Other property, plant and equipment	4,081	176				(1,253)	3,003
Property, plant and equipment in progress	775	221			(492)		504
Advances and prepayments on property, plant and equipment							-
<b>Total property, plant and equipment</b>	<b>29,374</b>	<b>1,457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,831</b>
Land							-
Improvements to land	(146)			(6)			(152)
Buildings	(6,592)			(272)			(6,865)
Technical facilities, machinery and equipment	(10,411)			(433)	(12)	(0)	(10,856)
Other property, plant and equipment	(2,317)			(199)	12	2	(2,501)
<b>Total depreciation, amortisation and provisions</b>	<b>(19,466)</b>	<b>-</b>	<b>-</b>	<b>(910)</b>	<b>-</b>	<b>2</b>	<b>(20,374)</b>
<b>Total Net value</b>	<b>9,908</b>	<b>1,457</b>	<b>-</b>	<b>(910)</b>	<b>-</b>	<b>2</b>	<b>10,457</b>

### 3.3. Financial assets

	December 2019	Increases	Decreases	June 2020
Long-term investments	24			24
Loans	6,187		(819)	5,368
Deposits and guarantees paid	247	5	(39)	213
<b>Total financial assets</b>	<b>6,457</b>	<b>5</b>	<b>(858)</b>	<b>5,604</b>
Impairments of investment securities	-	-	-	-
Impairments of loans, guarantees and other receivables – non-current	(1,858)			(1,858)
<b>Total impairments of financial assets</b>	<b>(1,858)</b>	<b>-</b>	<b>-</b>	<b>(1,858)</b>
<b>Total Net value</b>	<b>4,599</b>	<b>5</b>	<b>(858)</b>	<b>3,746</b>

They mainly include loans, guarantees and other receivables, as well as non-consolidated investment securities. An impairment is recognised if their value in use for the Group falls below their carrying amount.

Investment securities are recorded in the balance sheet at their acquisition cost. The gross value consists of the purchase cost excluding ancillary costs. When the inventory value is lower than the gross value, a provision for impairment is recognised for this difference.



Given the restatement of the sale of T&G investment securities at the beginning of the year, they do not have an impact on the combined financial statements.

### 3.4. Inventories

	June 2020		
	Gross	Provision	Net
Raw materials, supplies	1,664		1,664
Intermediate and finished goods	4,824		4,824
<b>Total inventories</b>	<b>6,488</b>	<b>-</b>	<b>6,488</b>

Inventories consist of raw materials and other supplies. The consolidation valuation rules are identical to those applied in the parent company financial statements.

The gross value of raw materials and other supplies includes the purchase price and ancillary costs. Finished goods are valued at the Industrial Cost Price (PRI), i.e. at production cost including:

- consumption as well as direct and indirect production costs;
- depreciation of assets used in production;
- to which a structure coefficient is applied *in fine*.

The cost of the sub-activity and interest are excluded from the value of inventories.

GROUPE BERKEM does not hold any inventories. Combining the parent company financial statements had no impact on the items in question.

### 3.5. Trade receivables

	June 2020		
	Gross	Provision	Net
Trade receivables	4,431	(433)	3,999
<b>Total trade receivables</b>	<b>4,431</b>	<b>(433)</b>	<b>3,999</b>

Trade receivables are recognised at their nominal value. An impairment provision is recognised when, at stock-taking, a risk of non-recovery exists.

GROUPE BERKEM does not show any trade receivables. Combining the parent company financial statements had no impact on the items in question.

### 3.6. Other receivables

	June 2020		
	Gross	Provision	Net

Advances and deposits paid	18		18
Personnel	44		44
French State – Income tax	2,215	(150)	2,064
French State – other duties and taxes	638		638
Other receivables	5,290	(0)	5,290
<b>Total other receivables</b>	<b>8,205</b>	<b>(151)</b>	<b>8,054</b>

The item “French State – Income tax” mainly includes “research and innovation tax credits”.

The item “Other receivables” includes the following items, at gross value:

	June 2020
Unused receivables sold to the factor	1,201
Current accounts with companies outside the scope of consolidation and related accrued interest	4,090
Supplier receivables	
<b>Total other receivables</b>	<b>5,290</b>

### 3.7. Cash

	June 2020		
	Gross	Provision	Net
Marketable securities	70	(0)	70
Cash and cash equivalents	5,799		5,799
Cash liabilities	(354)		(354)
<b>Total cash</b>	<b>5,515</b>	<b>(0)</b>	<b>5,515</b>

The increase in net cash is due in part to the implementation of the State-Guaranteed Loans (see point 10 – *Financial liabilities*). The change in cash is detailed in the cash flow statements, presented on page 7, for the period from 1 January to 30 June 2020.

### 3.8. Shareholders' equity and quasi-equity

The statements of changes in equity are presented on page 6. The share of non-controlling interests amounted to €462 thousand at 30 June 2020.

Breakdown of BERKEM DÉVELOPPEMENT share capital		
<b>Ordinary shares</b>	<b>38,500,000</b>	
SARL HOF	38,499,999	93.67%
MIDI CAPITAL (loan)	1	0.00%
<b>ADP 2015</b>	<b>2,603,076</b>	
MIDI CAPITAL	2,603,076	6.33%
<b>TOTAL SHARES</b>	<b>41,103,076</b>	

Nominal value	€0.05
Share capital	2,055,153.80

**Breakdown of BERKEM DÉVELOPPEMENT share capital in the event of conversion of all the Convertible Bonds into Shares**

<b>Ordinary shares</b>	<b>48,412,000</b>		
SARL HOF	38,499,999	75.47%	
MIDI CAPITAL (loan)	1	0.00%	
Conversion of NOVI 2018 bonds convertible into shares	8,554,000	16.77%	126 OCAs
Conversion of NOVI 2019 bonds convertible into shares	1,358,000	2.66%	20 OCAs
<b>ADP 2015</b>	<b>2,603,076</b>		
MIDI CAPITAL	2,603,076	5.10%	
<b>TOTAL SHARES</b>	<b>51,015,076</b>		

Nominal value	€0.05
Share capital	2,055,153.80

### 3.9. Provisions

	December 2019	Allocations in the financial year	Reversals in the financial year	June 2020
Provisions for disputes	-			-
Other provisions for contingencies	50			50
<b>Total provisions for contingencies</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>50</b>
Provisions for pensions and retirement	1,001	96		1,097
Other provisions for expenses	-			-
<b>Total provisions for expenses</b>	<b>1,001</b>	<b>96</b>	<b>-</b>	<b>1,097</b>

### 3.10. Financial liabilities

Changes in financial liabilities are as follows:

	December 2019	Increases	Repayments	June 2020
Bonds	16,166	394		16,559
Loans from credit institutions	19,727	6,263	(815)	25,175
Indebtedness related to finance leases	1,603	615	(227)	1,991
Other borrowings and related debts	12		(3)	9
Accrued interest on borrowings	79	585	(79)	585
<b>Total financial liabilities</b>	<b>37,586</b>	<b>7,857</b>	<b>(1,123)</b>	<b>44,320</b>

The period 1 January – 30 June 2020 was marked in particular by:

- the receipt of State-Guaranteed Loans (SGLs) and an *Atout* loan of approximately €3,200 thousand in total:
  - o BERKEM DÉVELOPPEMENT: €500 thousand in SGLs and €500 thousand in *Atout* loans,
  - o ADKALIS: €600 thousand in SGLs,

- BERKEM: €1,100 thousand in SGLs,
- LIXOL: €500 thousand in SGLs;
- the signing by EUROLYO of a finance lease for two freeze-dryers in the amount of €615 thousand, a lease that had not yet been activated at the date of preparation of the combined financial statements.

The change in financial liabilities is as follows:

	June 2020	< 1 year	1 to 5 years	> 5 years
Bonds	16,559			16,559
Loans from credit institutions	25,175	7,908	14,825	2,442
Finance lease borrowing	1,991	319	537	1,135
Other borrowings and related debts	9	6	3	
Accrued interest on borrowings	585	585		
<b>Total financial liabilities</b>	<b>44,320</b>	<b>8,818</b>	<b>15,365</b>	<b>20,137</b>

GROUPE BERKEM has no debt with credit institutions. Combining the parent company financial statements had no impact on the items in question.

### 3.10. Non-financial liabilities

	June 2020
Trade payables	4,808
Debt on asset acquisition – current	-
Customers – Advances and down payments received	204
Social security payables	2,537
Tax liabilities (excluding income tax)	623
French State – Income tax	-
Other payables – current	-
<b>Total debts</b>	<b>8,173</b>

The combination of GROUPE BERKEM's parent company financial statements consisted of increasing:

- The “Trade payables” item of around €3,537 at 30 June 2020;
- The “Current accounts in debt” item of €5,517 at 30 June 2020.
- 

## 8. Notes to the combined income statement

### 4.1. Turnover

The Group's consolidated turnover represents the cumulative amount of trading, services and production activities. Turnover is recognised on delivery for sales of goods and finished goods, and on completion for services.

The breakdown of Group turnover is as follows:

	June 2020
Sale of goods	
Production sold (goods)	19,222
Production sold (services)	682

<b>Total turnover</b>	<b>19,904</b>
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#### 4.2. Reversals of depreciation, amortisation and provisions

Reversals of provisions break down as follows:

	<b>June 2020</b>
Reversals of impairment of trade receivables	2
Reversals of retirement benefit obligations	
<b>Total reversals of provisions</b>	<b>2</b>

Combining the GROUPE BERKEM parent company financial statements had no impact on the items in question.

#### 4.3. Capitalised production

The Group recognised capitalised production of €677 thousand in operating income for all of the following transactions:

- Development of formulas and patents:
  - o BERKEM DÉVELOPPEMENT: commitment of €227 thousand to obtain marketing authorisations, including €12 thousand in personnel costs,
  - o ADKALIS: commitment of personnel costs of €152 thousand and external costs of €77 thousand;
- Completion of works to improve the premises by BERKEM – Gardonne premises: commitment of personnel costs of €150 thousand and external costs of €71 thousand.

GROUPE BERKEM did not recognise any capitalised production in 2020.

#### 4.4. Tax credits and operating subsidies

The Group continued its research and development efforts. A portion of its expenses enabled the Group to claim tax credits in the amount of:

	<b>June 2020</b>
Research Tax Credit	526
Investment Tax Credit	14
Operating subsidies	
<b>Tax credits and operating subsidies</b>	<b>541</b>

For the sake of simplicity, the tax credits were measured on the basis of 50% of the amount recognised for the year ended 31 December 2019.

The Group chose to recognise the research tax credit and the innovation tax credit as operating subsidies for the portion that cannot be directly attributed to capitalised development costs.

#### 4.5. Other income

Other income is comprised of individually insignificant amounts. They represented €3 thousand at 30 June 2020.

#### 4.6. Purchases of raw materials, other supplies and goods & changes in inventories

The breakdown of purchases and changes in inventories, presented in the income statement, is as follows:

	<b>June 2020</b>
Purchases and change in inventory of goods	
Purchases of raw materials & other supplies	7,819
Change in inventory of raw materials & other supplies	(142)
<b>Total purchases and inventory changes</b>	<b>7,677</b>

#### 4.7. Overall gross margin

The consolidated overall gross margin is the following:

	<b>June 2020</b>
Production of goods and services sold	19,904
Production in inventory	(288)
Capitalised production	677
<b>- Materials consumption and subcontracting</b>	<b>7,771</b>
<b>Overall gross margin</b>	<b>12,522</b>
<b>Overall gross margin rate</b>	<b>63%</b>

GROUPE BERKEM did not generate any turnover. Combining the parent company financial statements had no impact on the items in question.

#### 4.8. Other purchases and external expenses

The breakdown of other purchases and external expenses, presented in the income statement, is as follows:

	<b>June 2020</b>
General subcontracting	93
Finance lease repayments	7
Rentals and rental expenses	262
Maintenance and repairs	242
Insurance premiums	208
Other external services	195
External staff	335
Compensation of temporary staff & fees	662
Advertising	270
Transportation	616
Travel, assignments	324
Postal charges	86
Banking services	34
Other external expenses	24
<b>Total other purchases and external expenses</b>	<b>3,360</b>

The combination of GROUPE BERKEM's parent company financial statements consisted in increasing the "Compensation of temporary staff & fees" item by around €3 thousand at 30 June 2020.

#### 4.9. Taxes and duties

The breakdown of taxes and duties, presented in the income statement, is as follows:

	<b>June 2020</b>
Taxes and duties on compensation	207
Other taxes and duties	194
<b>Total taxes, duties and similar payments</b>	<b>401</b>

Combining GROUPE BERKEM's parent company financial statements had no impact on the items in question.

#### 4.10. Personnel expenses

The breakdown of personnel expenses, presented in the income statement, is as follows:

	<b>June 2020</b>
Wages and salaries	3,722
Social security expenses	1,465
Reimbursement related to partial employment	(331)
<b>Total personnel expenses</b>	<b>4,856</b>
<b>Percentage of personnel expenses in turnover</b>	<b>24%</b>

GROUPE BERKEM has no headcount. Combining the parent company financial statements had no impact on the items in question.

#### 4.11. Other expenses

Other expenses break down as follows:

	<b>June 2020</b>
Patent fees – BERKEM DÉVELOPPEMENT	186
Other insignificant expenses	27
<b>Total other expenses</b>	<b>213</b>

Combining GROUPE BERKEM's parent company financial statements had no impact on the items in question.

#### 4.12. Depreciation of fixed assets

Allocations relating to fixed assets break down as follows:

	<b>June 2020</b>
Depreciation of property, plant and equipment	908
Amortisation of intangible assets	322
<b>Total depreciation and amortisation of fixed assets</b>	<b>1,230</b>

As GROUPE BERKEM does not hold any fixed assets, it is not affected by these transactions.

#### 4.13. Provisions

Provisions break down as follows:

	<b>June 2020</b>
Impairment of doubtful trade receivables	
Provisions for retirement benefit obligations	96
Spreading of loan issuance costs	46
<b>Total provisions</b>	<b>142</b>

Combining GROUPE BERKEM's parent company financial statements had no impact on the items in question.

#### 4.14. Net financial income

Net financial income breaks down as:

	<b>June 2020</b>
Income on receivables and marketable securities	8
Foreign exchange gains	2
Other financial income	192
Income from other financial assets	
Reversals of financial provisions – ADKALIS	20
Reversals of impairment of financial assets	
<b>Total financial income</b>	<b>222</b>
Interest expense on borrowings	(1,092)
Foreign exchange losses	(1)
Other financial expenses	(23)
Provisions	(0)
Bond redemption premiums	(42)
Impairment of financial assets	(0)
<b>Total financial expenses</b>	<b>(1,159)</b>



<b>Total net financial income</b>	<b>(937)</b>
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Combining GROUPE BERKEM's parent company financial statements had no impact on the items in question.

4.15. Non-recurring income

Non-recurring income breaks down as:

	<b>June 2020</b>
Non-recurring income on management transactions	26
Non-recurring income from previous financial years	8
Income from disposals of fixed assets	19
Investment grants transferred to net income from the financial year	1
Other non-recurring income	
Reversals of provisions	
<b>Total non-recurring income</b>	<b>52</b>
Non-recurring expenses/transactions	(82)
Non-recurring expenses from previous financial years	(10)
Compensation related to employee departures without litigation	(24)
Exceptional fees – IPO transaction	(107)
Carrying amount of assets sold	
Other non-recurring expenses	
<b>Total non-recurring expenses</b>	<b>(223)</b>
<b>Total non-recurring net income</b>	<b>(170)</b>

4.16. Income tax breakdown

The "Income tax" item in the income statement breaks down as follows:

	<b>June 2020</b>
Deferred taxes	93
Income tax	
Tax expense related to tax consolidation	279
<b>Total income tax</b>	<b>372</b>

## Tax proof:

	<b>June 2020</b>
Income after restatements	1,494
Amortisation and provisions for goodwill	(15)
Income tax	357
Change in deferred tax	93
<b>Income tax expense</b>	<b>450</b>
<b>Income before tax</b>	<b>1,932</b>
<b>Theoretical income tax at 28%</b>	<b>541</b>
<b>Difference theoretical/actual (income tax)</b>	<b>91</b>
Surcharge	(1)
Non-deductible expenses	15
Non-taxable income: tax credits and reductions	(151)
Non-taxable income: non-accounting deduction	(10)
Allocation of tax loss not giving rise to deferred tax asset	
Deficit created during the financial year	53
Unrecognised deferred tax on T&G DISTRIBUTION current account impairment	
Income tax adjustment	
Impact of deferred tax provision on tax loss carryforwards	
Income taxed on the 5% share of dividends	
<b>Residual difference</b>	<b>(3)</b>

The combination of GROUPE BERKEM's parent company financial statements had no significant impact on the tax proof at the closing of the interim financial statements at 30 June 2020.

## 9. Other information

### 5.1. Headcount

The average number of salaried employees was 155 for the periods ending 30 June 2020. Information concerning the non-salaried headcount is not available. Note that GROUPE BERKEM has no employees.

### 5.2. Statutory Auditors' fees

The Statutory Auditors' fees amounted to €32 thousand for the position at 30 June 2020.

### 5.3. Compensation of corporate officers

Management has chosen not to disclose the amounts relating to the compensation of corporate officers, as this would amount to mentioning individual compensation items.

## 10. Events after the closing of the combined financial statements

None

## 11. Off-balance sheet commitments

### 7.1. Ratio compliance

The Group is subject to compliance with the following ratios for its financial commitments:

- ratios to be respected with senior lenders

- Senior financial leverage ratio (Net senior debt/EBITDA):
    - $\leq 2.5x$  for 2020.
  - Debt service coverage ratio  $\geq 1.10x$ ;
- ratios to be respected with OCA holders
- Senior financial leverage ratio (Net senior debt/EBITDA):
    - $\leq 2.5x$  for 2020.
  - Overall financial leverage ratio (Net debt/EBITDA):  $\leq 5x$

## 7.2. Commitments given

In October 2018, BERKEM DÉVELOPPEMENT pledged 100% of the securities of BERKEM, ADKALIS and LIXOL as collateral:

- for a senior loan of €20 million granted by Crédit Agricole d'Aquitaine, Caisse d'Épargne Aquitaine Poitou Charentes and Banque Populaire Centre Atlantique; and
- a bond issue of €12.6 million subscribed by the NOVI 2 fund.

In October 2018, BERKEM DÉVELOPPEMENT also subscribed to two interest rate hedging transactions:

- with NATIXIS, a swap on a notional amount of €33,366,000 (amortisable) exchanging 3M EURIBOR for a fixed rate of 0.38750% *per annum* over the period from 16 October 2018 to 16 October 2022;
- with Crédit Agricole, a swap on a notional amount of €4,080,000 exchanging a 3M EURIBOR for a fixed rate of 0.415% *per annum* over the period from 16 October 2018 to 16 October 2022.

## Decontamination costs

No off-balance sheet commitments have been recorded because the decontamination costs cannot be precisely estimated as they depend on the results of monthly analyses. The results are provided monthly to French State services (DREAL and the Prefecture). The Group states that 7 years ago it subscribed to insurance providing a financial guarantee of decontamination; this guarantees that the site will be decontaminated even if the Group is not solvent to do so. The Group believes that it has decontaminated almost all of the initial situation.

### 18.2.3 Audit of interim financial information

**GROUPE BERKEM**  
20, rue Jean Duvert  
33290 BLANQUEFORT, FRANCE

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**Limited review report of the Statutory Auditors on the  
interim consolidated financial statements**  
*Period from 8 March 2021 to 30 June 2021*

**GROUPE BERKEM**  
20, rue Jean Duvert  
33290 BLANQUEFORT, FRANCE

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**Limited review report of the Statutory Auditors on the  
interim consolidated financial statements**  
*Period from 8 March 2021 to 30 June 2021*

To the Chairman and Chief Executive Officer,

In our capacity as Statutory Auditors of GROUPE BERKEM and at your request in the context of the proposed public offering and admission of equity securities to trading on the regulated market of Euronext Paris, we have carried out a limited review of the interim consolidated financial statements of GROUPE BERKEM for the period from 8 March 2021 to 30 June 2021, as attached to this report.

The Board of Directors was responsible for the preparation of these interim consolidated financial statements. These financial statements were the subject of a first report dated 11 October 2021 in which, based on our limited review, we had not identified any material misstatements of a nature to call into question, with regard to French accounting rules and principles, the fact that the interim consolidated financial statements fairly present the assets and financial position of all the persons and entities included in the consolidation as of 30 June 2021, as well as the results of its operations for the period from 8 March 2021 to 30 June 2021.

These interim consolidated financial statements were amended under the responsibility of the Board of Directors in order to correct the material error appearing in the cash flow statement and supplement the notes to the financial statements relating to goodwill. We are therefore required to issue a new report which replaces our first report of 11 October 2021.

Our responsibility is to express a conclusion on these financial statements based on our limited review.

We conducted our limited review in accordance with the professional standards applicable in France. A limited review consists principally of making inquiries of persons responsible for financial and accounting matters and applying analytical procedures. This work is less extensive than that required for an audit conducted in accordance with the professional standards applicable in France. Consequently, the assurance that the amended interim consolidated financial statements, taken as a whole, are free from material misstatement obtained through a limited review is a moderate assurance, less than that obtained through an audit.

Based on our limited review, we did not identify any material misstatements of a nature to call into question, in view of French accounting rules and principles, the fact that the amended interim consolidated financial statements fairly present the assets and financial position of all the persons and entities included in the consolidation at 30 June 2021, as well as the results of its operations for the period from 8 March 2021 to 30 June 2021.

Without calling into question the conclusion expressed above, we draw your attention to the following points in the notes to the interim consolidated financial statements:

- on the note "*Presentation and comparability of financial statements*" on page 9 of the notes to the interim consolidated financial statements on the treatment of cash flows for the period;
- on the notes 2.33 and 3.1.1 relating to "*Goodwill*" on pages 10 and 14 of the notes to the interim consolidated financial statements.

Le Tourne and Bordeaux, on 29 October 2021

Statutory Auditors  
Members of the CRCC Grande Aquitaine

**FOR DEIXIS,**  
Nicolas de Laâge de Meux

**FOR VS AUDITEX**  
Simon Vezin





**GROUPE BERKEM**  
20, rue Jean Duvert  
33290 BLANQUEFORT, FRANCE

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**Limited review report of the Statutory Auditors on the  
interim combined financial statements**  
*Period from 1 January 2020 to 30 June 2020*

To the Chairman,

In our capacity as Statutory Auditors of GROUPE BERKEM and at your request in the context of the proposed public offering and admission of equity securities to trading on the regulated market of Euronext Growth Paris, we have carried out a limited review of the interim combined financial statements of GROUPE BERKEM for the period from 1 January 2020 to 30 June 2020, as attached to this report.

The interim combined financial statements of GROUPE BERKEM correspond to the parent company financial statements of the Group holding company, GROUPE BERKEM, combined with the consolidated financial statements of BERKEM DÉVELOPPEMENT, BERKEM, ADKALIS, LIXOL, and EUROLYO. The companies of the T&G business unit are excluded from this scope.

The Chairman was responsible for the preparation of these interim combined financial statements. These financial statements were the subject of a first report dated 11 October 2021 in which, based on our limited review, we had not identified any material misstatements of a nature to call into question with regard French accounting rules and principles, the fact that the interim combined financial statements fairly present the assets and financial position of the persons and entities included in the combination/consolidation at 30 June 2020, as well as the result of its operations for the period from 1 January 2020 to 30 June 2020.

The interim combined financial statements were amended by the Chairman to present factoring in accordance with the provisions of the general chart of accounts. The combined balance sheet assets and liabilities on 30 June 2020 were amended under "Trade receivables" and "Other liabilities" as were the corresponding notes to the combined notes. We are therefore required to issue a new report which replaces our first report of 11 October 2021.

Our responsibility is to express a conclusion on these financial statements based on our limited review.

We conducted our limited review in accordance with the professional standards applicable in France. A limited review consists principally of making inquiries of persons responsible for financial and accounting matters and applying analytical procedures. This work is less extensive than that required for an audit conducted in accordance with the professional standards applicable in France.

Consequently, the assurance that the interim combined financial statements, taken as a whole, are free from material misstatement obtained through a limited review is a moderate assurance, less than that obtained through an audit.

Based on our limited review, we have not identified any material misstatements of a nature to call into question with regard to French accounting rules and principles, the fact that the amended combined financial statements fairly present the assets and financial position of all the persons and entities included in the combination/consolidation at 30 June 2020, as well as the results of its operations for the period from 1 January 2020 to 30 June 2020.

Without calling into question the conclusion expressed above, we draw your attention to the following points:

- on the note "*Significant events*" on page 9 of the notes to the interim combined financial statements concerning the impact of measures relating to Covid-19;
- on the note "*Consolidation method*" on page 12 of the notes to the interim combined financial statements concerning the treatment of the disposal of the T&G business unit.

Le Tourne and Bordeaux, on 29 October 2021

Statutory Auditors  
Members of the CRCC Grande Aquitaine

**FOR DEIXIS,**  
Nicolas de Laâge de Meux

**FOR VS AUDITEX**  
Simon Vezin

**18.3 Pro forma financial information**

18.3.1 *Pro forma* financial information at 30 june 2021

Groupe **berkem**<sup>®</sup>

**BERKEM**

**PRO FORMA FINANCIAL INFORMATION**

**At 30 June 2021**

GROUPE BERKEM

20, rue Jean Duvert

33290 BLANQUEFORT, FRANCE

## 1. Context of the *pro forma* financial information

A contribution-sale of securities in BERKEM DÉVELOPPEMENT was carried out by HOF to GROUPE BERKEM on 8 March 2021. On this date, the latter became the holding company of BERKEM DÉVELOPPEMENT.

This contribution-sale involved 33,485,060 ordinary shares of BERKEM DÉVELOPPEMENT, i.e. 81% of the capital and voting rights. In consideration for this contribution, GROUPE BERKEM carried out a capital increase of €29,135 thousand.

The remainder of the BERKEM DÉVELOPPEMENT shares held by HOF were acquired by GROUPE BERKEM. This sale operation involved 5,014,938 shares of BERKEM DÉVELOPPEMENT, i.e. approximately 12% of the capital and voting rights of the company.

BERKEM DÉVELOPPEMENT is the parent company of the sub-group made up of the following entities:

- ADKALIS, wholly-owned;
- LIXOL LABORATOIRE FRANÇAIS DU SUD-OUEST, wholly-owned;
- BERKEM, held at 95%;
- EUROLYO, wholly owned by Berkem.

The unaudited *pro forma* income statement of financial position has been prepared to reflect the effects of the acquisition as if it had been completed on 1 January 2021. The data presented in this *pro forma* correspond to the six months of activity of each of the Group companies, i.e. flows from 1 January 2021 to 30 June 2021.

## 2. Basis of preparation

The unaudited *pro forma* consolidated financial information presented was prepared in accordance with the Delegated Regulation (EU) on prospectuses No. 2019/980 and the ESMA guidelines on prospectuses of July 2020 and the position recommendation No. 2021-02. It consists of the unaudited *pro forma* consolidated income statements for the half-year ended 30 June 2021. The *pro forma* financial information has been prepared on the basis of assumptions summarised below and should be read in conjunction with the audited consolidated financial statements of Groupe Berkem at 30 June 2021.

The unaudited *pro forma* consolidated financial information is presented in thousands of euros and reflects the acquisition of Berkem Développement as if the transaction had been completed on 1 January 2021.

The *pro forma* financial information does not reflect any restructuring expenses or integration costs likely to result from the acquisition. It also does not reflect any savings potentially achievable through the elimination of certain expenses or resulting from operational and tax synergies. Given the absence of any differences in accounting rules and methods, no standardisation of accounting rules and methods has been carried out.

The unaudited *pro forma* financial information is presented for illustration purposes only and is not necessarily an indication of the net income that the consolidated company would have achieved had the acquisition been finalised on 1 January 2021. Nor is it an indication of the future net income of the consolidated company. The *pro forma* adjustments, which are detailed below, are based on the information available to date, as well as certain assumptions and estimates deemed reasonable by Groupe Berkem:

- Interim net income: Interim net income was calculated based on the unaudited interim financial statements of all Group entities for the two-month period ended 28 February 2021.

### 3. Pro forma consolidated financial information

	Interim net income 28 February 2021 <i>(2 months)</i>	Consolidated financial statements 30 June 2021 <i>(4 months)</i>	Pro forma consolidated financial statements 30 June 2021 <i>(6 months)</i>
<b>Turnover</b>	<b>7,564</b>	<b>17,607</b>	<b>25,172</b>
Sale of goods	(35)	35	
Production sold (goods)	7,555	16,365	23,920
Production sold (services)	44	1,207	1,252
Capitalised production	157	324	481
Production in inventory	(373)	522	148
Operating subsidies	130	283	412
Reversals of impairment and provisions	(10)	464	454
Other income	7	(4)	3
Other operating income	(2)	66	64
<b>Operating income</b>	<b>7,473</b>	<b>19,261</b>	<b>26,734</b>
Purchases consumed			
Purchases of raw materials & other supplies	(3,291)	(7,534)	(10,825)
Change in inventory (raw materials)	237	259	496
External expenses	(1,107)	(3,125)	(4,232)
Taxes and duties	(58)	(348)	(406)
Wages and salaries	(1,126)	(2,808)	(3,934)
Social security expenses	(479)	(1,218)	(1,698)
Other personnel expenses	(2)	(54)	(56)
Depreciation, amortisation and provisions	<b>(456)</b>	<b>(1,423)</b>	<b>(1,879)</b>
<i>Depreciation and amortisation of fixed assets</i>	<i>(447)</i>	<i>(896)</i>	<i>(1,342)</i>
<i>Other allocations</i>	<i>(10)</i>	<i>(527)</i>	<i>(537)</i>
Other operating expenses	(15)	(87)	(103)
<b>Operating expenses</b>	<b>(6,298)</b>	<b>(16,339)</b>	<b>(22,637)</b>
<b>Operating income</b>	<b>1,175</b>	<b>2,922</b>	<b>4,097</b>
Financial income	(1)	82	81
Financial expenses	(377)	(908)	(1,284)
<b>Net financial income</b>	<b>(378)</b>	<b>(826)</b>	<b>(1,203)</b>
<b>Current net income of consolidated companies</b>	<b>797</b>	<b>2,096</b>	<b>2,893</b>
Extraordinary income	57	250	307
Non-recurring expenses	(17)	(1,070)	(1,087)
<b>Non-recurring income</b>	<b>40</b>	<b>(820)</b>	<b>(780)</b>
<b>Net income before income tax and profit-sharing</b>	<b>837</b>	<b>1,277</b>	<b>2,113</b>
Income tax	(184)	(394)	(578)
<b>Net income of consolidated companies</b>	<b>651</b>	<b>884</b>	<b>1,535</b>
Share of net income of equity-accounted companies			
Amortisation of goodwill			
<b>Net income of the consolidated group</b>	<b>651</b>	<b>884</b>	<b>1,535</b>
Non-controlling interests	57	78	134
<b>Net income (attributable to owners of the parent)</b>	<b>595</b>	<b>806</b>	<b>1,401</b>

## 18.3.2 Audit of Pro forma financial information



**GROUPE BERKEM**  
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**Report of the Statutory Auditors on the  
*Pro Forma* Financial Information**  
*Period from 1 January 2021 to 30 June 2021*

**GROUPE BERKEM**  
20, rue Jean Duvert  
33290 BLANQUEFORT, FRANCE

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**Report of the Statutory Auditors on the  
Pro Forma Financial Information**  
*Period from 1 January 2021 to 30 June 2021*

To the Chairman and Chief Executive Officer,

In our capacity as Statutory Auditors and in application of Regulation (EU) No. 2017/1129 supplemented by Delegated Regulation (EU) No. 2019/980, we have prepared this report on the *Pro Forma* Financial Information of GROUPE BERKEM for the period from 1 January 2021 to 30 June 2021 included in the registration document.

This *Pro Forma* Financial Information has been prepared for the sole purpose of reflecting the effect that an acquisition of BERKEM DÉVELOPPEMENT might have had on 1 January 2021, on the GROUPE BERKEM consolidated interim income statement of 30 June 2021.

The data presented in this *pro forma* correspond to the six months of activity of each of the Group companies, i.e. flows from 1 January 2021 to 30 June 2021. By their very nature, they describe a hypothetical situation and are not necessarily representative of the financial position or performance that would have been observed if the transaction or event had occurred at a date prior to the date of its actual or projected occurrence.

The *Pro Forma* Financial Information was prepared under your responsibility in accordance with the provisions of Regulation (EU) No. 2017/1129 and the ESMA recommendations on *Pro Forma* Financial Information. The *Pro Forma* Financial Information was the subject of a first report dated 11 October 2021 in which we considered that the *Pro Forma* Financial Information had been properly prepared on the basis indicated and that this basis was in accordance with the accounting policies of the issuer.

The *Pro Forma* Financial Information has been modified and prepared under your responsibility in accordance with the provisions of Regulation (EU) No. 2017/1129 and the ESMA recommendations relating to *Pro Forma* Financial Information in order to supplement Note 2 "*Basis of preparation*".

It is our responsibility, on the basis of our work, to express a conclusion, in the terms required by Appendix 20, section 3 of Delegated Regulation (EU) No. 2019/980, on the correctness of the establishment of the *Pro Forma* Financial Information amended on the basis indicated.

We have performed the procedures that we deemed necessary with regard to the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes relating to this mission.



These procedures, which do not include an audit or a limited review of the financial information underlying the preparation of the *Pro Forma* Financial Information, consisted mainly in verifying that the bases on which the amended *Pro Forma* Financial Information was prepared are consistent with the source documents as described in the explanatory notes to the amended *Pro Forma* Financial Information, in examining the evidence justifying the *pro forma* restatements and in consulting with GROUPE BERKEM management to gather the information and explanations we deemed necessary.

In our opinion:

- the amended *Pro Forma* Financial Information has been properly prepared on the basis indicated;
- this basis is consistent with the issuer's accounting policies.

This report is issued for the sole purpose of:

- ensuring approval of the registration document by the AMF;
- the admission to trading on the Euronext Growth Paris market, and the public offering of financial securities of GROUPE BERKEM in France and in the other countries of the European Union in which the prospectus approved by the AMF would be notified and cannot be used in any other context.

Le Tourne and Bordeaux, on 29 October 2021

Statutory Auditors  
Members of the CRCC Grande Aquitaine

**FOR DEIXIS,**  
Nicolas de Laâge de Meux

**FOR VS AUDITEX**  
Simon Vezin

## **18.4 Dividend distribution policy**

### 18.4.1 Dividend distribution policy

Depending on the Company's future net income, the Board of Directors may propose to the Shareholders' Meeting to pay dividends.

In deciding whether or not to make such payments, Groupe Berkem would take into account its net income, its financial position, opportunities for external growth, the contractual terms of its bank debt and the dividend distribution policies of its main subsidiaries.

It should be noted that at the date of approval of the Registration Document, the Company has not set any financial criteria, whose achievement would trigger the payment of dividends or determine the amount of such payments.

### 18.4.2 Dividends paid over the last three financial years

For the last three financial years, Groupe Berkem has not distributed any dividends.

## **18.5 Legal and arbitration proceedings**

During the 12-month period preceding the date of approval of the Registration Document, the Group has not been involved in any administrative, criminal, legal or arbitration proceedings that are liable to have a material adverse effect, not reflected in the Group's financial statements, on its activities, financial position, results or development, and that, to the best of the Group's knowledge, the Group is not threatened with any such procedure at the date of approval of the Registration Document.

Although the Group does not consider this dispute to be significant due to its limited amount (in particular, with regard to the annual amounts of Research Tax Credit received by the Group (see Section 18.1.5.)), it should be noted that, at the date of approval of the Registration Document, a dispute was in progress with the tax authorities regarding the rejection of the Research Tax Credit in the amount of €170 thousand declared by Berkem Développement for the financial year ended 31 December 2016.

## **18.6 Significant change in the Group's financial position**

On 31 December 2020, Berkem Développement sold its subsidiaries and sub-subsidiary grouping its distribution activities (T&G Distribution for activities in France, T&G for activities in Belgium, T&G Spain for activities in Spain) to HOF SARL for an amount of €1 million.

## 19. ADDITIONAL INFORMATION

### 19.1 Share capital

#### 19.1.1 Amount of share capital

It is recalled that:

- When the Company was set up, HOF, as sole shareholder, made a cash contribution of one hundred euros (€100), corresponding to one hundred (100) shares in the amount of one euro (€1) fully subscribed and paid up;
- Under the terms of a private deed dated 22 December 2020 recording the decisions of HOF, the sole shareholder of the Company, the share capital was increased by a nominal amount of fifty thousand euros (€50,000), to be increased from one hundred euros (€100) to fifty thousand one hundred euros (€50,100), by the issue of fifty thousand (50,000) ordinary shares with a nominal value of one euro (€1) each;
- Under the terms of a private deed dated 19 February 2021 recording the decisions of HOF, the sole shareholder of the Company on that date, the share capital was reduced by a nominal amount of €12,525 by way of a reduction in the nominal value of the shares, which were reduced from a nominal value of one euro each to €0.75 each;
- Under the terms of a private deed dated 8 March 2021, it was decided:
  - to proceed with the reverse split of the shares making up the Company's capital so that the Company's share capital, which amounted to €37,575, divided into 50,100 shares with a par value of €0.75 each, is divided into 16,700 shares with a par value of €2.25 each,
  - to increase the share capital by twenty-nine million one hundred and thirty-five thousand four hundred and eighty-one euros and seventy-five cents (€29,135,481.75) by issuing twelve million nine hundred and forty-nine thousand one hundred and three (12,949,103) new ordinary shares of the Company, with a nominal value of two euros and twenty-five cents (€2.25) each, to HOF, issued in consideration of its contribution in kind of Berkem Développement shares valued at €29,135,482.68.

Following these transactions and on the date of approval of the Registration Document, the share capital of the Company amounted to €29,173,056.75 divided into 12,965,803 fully paid-up ordinary shares with a par value of €2.25 each, all of which are of the same category.

#### 19.1.2 Securities not representing capital

None.

#### 19.1.3 Number, carrying amount and par value of shares held by the Company or on its behalf

At the date of approval of the Registration Document, the Company does not hold any of its shares and no Company shares are held by a third party on its behalf.

It was proposed that the Company's Combined Shareholders' Meeting of 26 April 2021 authorise, subject to the condition precedent of the settlement-delivery of the Company's shares in the context of their admission to trading on the Euronext Growth multilateral organised trading facility in Paris, the Board of Directors, in accordance with the provisions of Articles L. 22-10-62 *et seq.* of the French

Commercial Code, to purchase, on one or more occasions and at the times that it shall determine, a number of Company shares, over a period of 18 months, not exceeding:

- 10% of the total number of shares comprising the share capital and existing at the date of these purchases; it being specified that when the shares are acquired for the purpose of promoting the liquidity of the Company's shares, the number of shares taken into account for the calculation of this limit will correspond to the number of shares purchased, less the number of shares resold during the period of the authorisation; or
- 5% of the total number of shares comprising the share capital and existing at the date of these purchases in the case of shares acquired with a view to holding them and subsequently delivering them in payment or in exchange as part of a merger, spin-off or contribution.

This authorisation may be used by the Board of Directors to:

- ensure liquidity and stimulate the market for the Company's shares through an investment services provider as part of a liquidity contract in accordance with an ethics charter recognised by the French Financial Markets Authority (*Autorité des marchés financiers*) and in accordance with the market practice accepted by the latter; or
- fulfil the obligations arising from stock option programs or other allocations of shares to employees or members of the administrative or management bodies of the Company or related companies; or
- meet the obligations arising from debt securities that are exchangeable for title deeds; or
- retain the shares and subsequently use them as payment or in exchange in the context of potential external growth transactions, mergers, spin-offs or contributions; or
- cancel all or part of the shares thus bought back; or
- more generally, carry out any transaction that is not expressly prohibited by law, particularly as part of a market practice approved by the French Financial Markets Authority.

The maximum unit purchase price may not exceed, excluding fees and commissions, 300% of the price per Company share retained in connection with their admission to trading on the Euronext Growth organised multilateral trading facility in Paris, such as this price is mentioned in the Company's press release relating to the definitive characteristics of the Company's share offering, up to a maximum total amount, excluding fees and commissions, of one million euros (€1,000,000); it being specified that this purchase price will be subject to adjustments if necessary in order to take account of transactions on the share capital (in particular in the event of capitalisation of reserves and free allocation of shares, division or consolidation of shares) that may occur during the period of validity of the authorisation.

The acquisition, sale or transfer of these shares may be carried out and paid for by any means authorised by the regulations in force, on one or more occasions, in particular on a regulated market, on a multilateral trading facility, with a systematic internaliser or over-the-counter, including through the acquisition or sale of blocks, public offers, the use of options or derivatives, at the times that the Board of Directors determines, including during a public offer period.

The Board of Directors shall have full powers in order, in compliance with the relevant laws and regulations, to allocate and, if applicable, reallocate the shares bought back, as permitted, for one of the programme's objectives or one or more of its other objectives, or their disposal, on or off the market. It should be noted that from the date of the admission to trading of the Company's shares on the Euronext Growth Paris market, the Company will be bound by the following disclosure obligations with regard to share buybacks:

- 1) Prior to the implementation of the share buyback programme:
  - publication of a description of the share buyback programme (effective and full electronic distribution by a professional distributor and posted on the Company's website);
- 2) During the execution of the share buyback program:
  - publication no later than the seventh trading day following the execution date of the transaction by posting on the Company's website (excluding transactions carried out by an investment services provider as part of a contract),
  - monthly statements by the Company to the AMF, and,
  - half-yearly publication of a liquidity contract report;
- 3) Each year:
  - presentation of the results of the implementation of the buyback programme and the use of the shares acquired in the report of the Board of Directors to the Shareholders' Meeting.

#### 19.1.4 Convertible and exchangeable securities or securities with warrants

None.

#### 19.1.5 Acquisition rights and/or obligations attached to capital issued but not paid up and commitments to increase the share capital

Resolutions to issue or reduce the share capital approved by the Shareholders' Meeting of 26 April 2021 are summarised below:

Resolutions of the CGM of 26 April 2021	Purpose of the resolution	Maximum nominal amount in euros <sup>(1)</sup>	Methods for determining the issue price	Duration of authorisation
4 <sup>th</sup> Resolution	Delegation of authority to be granted to the Board of Directors to increase the share capital by issuing ordinary shares of the Company with preferential subscription rights for shareholders, subject to the condition precedent of the settlement-delivery of the Company's shares in the event of their admission to trading on the Euronext Growth Paris organised multilateral trading facility	€29,173,056	-	26 months
5 <sup>th</sup> Resolution	Delegation of authority to be granted to the Board of Directors to increase the share capital by issuing ordinary shares with cancellation of preferential subscription rights for shareholders by way of a public offering within the meaning of Article 2 of Regulation (EU) No. 2017/1129 of 14 June 2017 on the occasion of the first admission of the Company's shares to trading on the Euronext Growth Paris organised multilateral trading facility	€29,173,056	The issue price of the ordinary shares will result from the comparison of the offer of shares and subscription requests issued by investors as part of the technique known as "book building" as developed by professional practices.	26 months
6 <sup>th</sup> Resolution	Delegation of authority to be granted to the Board of Directors to increase the share capital by issuing ordinary shares or any securities giving access to the share capital with cancellation of shareholders' preferential subscription rights by way of a public offering within the meaning of Article 2 of Regulation (EU) No. 2017/1129 of 14 June 2017, subject to the condition precedent of the settlement-delivery of the Company's shares in the context of their admission to trading on the Euronext Growth Paris organised multilateral trading facility	€29,173,056	The issue price of shares and marketable securities will be at least equal to the weighted average price of the last five stock market sessions preceding the opening of the public offer within the meaning of Regulation (EU) No. 2017/1129 of 14 June 2017, which may be reduced by a maximum discount of 25%.	26 months

7 <sup>th</sup> Resolution	Delegation of authority to be granted to the Board of Directors to increase the share capital by issuing ordinary shares or any securities giving access to the share capital with cancellation of shareholders' preferential subscription rights as part of an offer for the benefit of the public referred to in I of Article L. 411-2 of the French Monetary and Financial Code for the benefit of qualified investors or a restricted circle of investors, subject to the condition precedent of the settlement-delivery of the Company's shares in the context of their admission to trading on the Euronext Growth Paris organised multilateral trading facility	€29,173,056 without exceeding 20% of the Company's share capital per period of 12 months; said capital being assessed on the day of the Board of Directors' decision to use this delegation	The issue price of shares and marketable securities will be at least equal to the weighted average price of the last five stock market sessions preceding the opening of the public offer within the meaning of Regulation (EU) No. 2017/1129 of 14 June 2017, which may be reduced by a maximum discount of 25%.	26 months
8 <sup>th</sup> Resolution	Authorisation given to the Board of Directors to increase the amount of issues with or without preferential subscription rights	15% of the initial issue	Same price as the initial issue	26 months
10 <sup>th</sup> Resolution	Authorisation to be granted to the Board of Directors pursuant to Articles L. 225-197-1 to L. 225-197-6 of the French Commercial Code to allocate existing or future shares free of charge for the benefit of all or some of the employees and/or corporate officers referred to in Article L. 225-197-1, II of the French Commercial Code, subject to the condition precedent of the settlement-delivery of the Company's shares in the context of their admission to trading on the Euronext Growth Paris multilateral trading facility	10% of the Company's share capital	-	38 months
12 <sup>th</sup> Resolution	Delegation of authority to be granted to the Board of Directors to increase the share capital through the incorporation of premiums, reserves, profits or other items, subject to the condition precedent of the settlement-delivery of the Company's shares in the context of their admission to trading on the Euronext Growth Paris multilateral trading facility	€1,000,000	-	26 months

(1) Under the 11<sup>th</sup> resolution of the Combined Shareholders' Meeting of 26 April 2021:

- the overall maximum nominal amount of capital increases that may be carried out pursuant to the delegations granted under the terms of the fourth to tenth resolutions is set at twenty-nine million one hundred and seventy-three thousand and fifty-six euros (€29,173,056) (or the equivalent value on the date of issue of this amount in foreign currency or in units of account established by reference to several currencies), it being specified that the additional amount of shares to be issued will be added to this ceiling in order to preserve, in accordance with the law and, where appropriate, applicable contractual provisions, the rights of holders of securities and other rights giving access to shares;
- the overall maximum nominal amount of debt securities that may be issued under the delegations granted under the terms of the sixth to eighth resolutions above is set at twenty-nine million one hundred and seventy-three thousand and fifty-six euros

(€29,173,056) (or the equivalent value on the date of issue of this amount in foreign currency or in units of account established by reference to several currencies), it being specified that this ceiling does not apply to debt securities whose issue may be decided or authorised by the Board of Directors in accordance with Article L. 228-40 of the French Commercial Code.

#### 19.1.6 Information relating to capital subject to an option or a conditional or unconditional agreement to place it under option

At the date of approval of the Registration Document, the balance of Berkem Développement's share capital, i.e. 6.33%, was held by 540 individuals, represented by M Capital under a management mandate (ISF). The shares held are preferred shares (ADP<sub>2015</sub>), with Groupe Berkem having the option to buy back these ADP<sub>2015</sub> from 1 January 2021. In the event of such purchase, the ADP<sub>2015</sub> will be automatically converted into ordinary shares.

At the date of approval of the Registration Document, the balance of Berkem's share capital, i.e. 4.99%, was held by 540 individuals, represented by M Capital under a management mandate (ISF). The shares held are preferred shares (ADP<sub>2015</sub>). Berkem Développement has the option to buy back these ADP<sub>2015</sub> from 1 January 2021, and in the event of such purchase, the ADP<sub>2015</sub> will be automatically converted into ordinary shares.

It is planned that the Berkem Développement ADP<sub>2015</sub> and the Berkem ADP<sub>2015</sub> will be acquired by Groupe Berkem and Berkem Développement respectively following the listing of the Company's shares on Euronext Growth Paris.

#### 19.1.7 Change in share capital

##### **Historical change:**

The change in the share capital since the Company's incorporation is as follows:

Issue date	Type of transaction	Number of shares issued or cancelled	Nominal amount (€)	Issue or contribution premium (€)	Cumulative nominal amount of share capital (€)	Total number of shares outstanding	Par value (€)
14 June 2016	Incorporation of the company by capital increase in cash	100	100	-	100	100	1
22 December 2020	Capital increase in cash	50,000	50,000	-	50,100	50,100	1
19 February 2021	Capital reduction by reducing the par value of the shares	-	(12,525)	-	37,575	50,100	0.75
8 March 2021	Consolidation of shares	-	-	-	37,575	16,700	2.25
8 March 2021	Capital increase by contribution in kind	12,949,103	29,135,481.75	0.93	29,173,056.75	12,965,803	2.25

##### **Changes in the Company's share capital since 31 December 2018:**

Shareholders	Position at 31 December 2020		Position at 31 December 2019		Position at 31 December 2018	
	Number of shares	% capital and voting rights	Number of shares	% capital and voting rights	Number of shares	% capital and voting rights
HOF SARL <sup>(1)</sup>	100	100.00%	100	100.00%	100	100.00%



<b>Total</b>	<b>100</b>	<b>100.00%</b>	<b>100</b>	<b>100.00%</b>	<b>100</b>	<b>100.00%</b>
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<sup>(1)</sup> HOF is a limited liability company (*société à responsabilité limitée*) 98.47% held by Olivier Fahy; the balance of the capital is held as self-controlling interest (*actions d'auto-contrôle*).

The breakdown of the Company's share capital and voting rights at the date of approval of the Registration Document is presented in section 16.1.

### **Status of pledges on the Company's share capital:**

To the best of its knowledge, the Company has no pledges on any significant portion of its capital.

However, it is specified that the banks (Caisse Régionale de Crédit Agricole Mutuel Aquitaine, Banque Populaire Aquitaine Centre Atlantique and Caisse d'épargne et de prévoyance Aquitaine Poitou Charentes), which have granted a senior bank loan, benefit from a pledge in their favour of the key man insurance policy in the event of Olivier Fahy's disability or death.

In addition, as part of the senior loan, the Group pledged as collateral in favour of the banks, the financial securities accounts of Berkem, Adkalis, Lixol and Eurolyo as well as the securities of said companies.

As part of its bond financing, the Group pledged as collateral in favour of Idinvest Partners and the group of convertible bondholders, the financial securities accounts of Berkem, Adkalis, Lixol and Eurolyo as well as the securities of said companies.

## **19.2 Articles of Incorporation and Bylaws**

The Articles of Incorporation and up-to-date Bylaws of the Company registered in the Bordeaux Trade and Companies Register under number 820 941 490 are freely available from the Clerk of the Commercial Court of Bordeaux.

### 19.2.1 Corporate purpose (Article 2 of the Company's Bylaws)

The purpose of the Company is, both in France and abroad:

- the acquisition of any equity interests in any form whatsoever, directly or indirectly, in particular through the acquisition of units or shares, subscription, contribution, merger, alliance or otherwise, in any existing or future enterprise, company or group, whether listed or not, whose purpose is any research and development activities, any industrial, commercial, agricultural, movable property, real estate or financial operations, particularly in the following fields and any similar or complementary fields:
  - production, manufacture, marketing (including through distance selling) and trading of chemical active ingredients and/or plant active ingredients;
  - formulation of biocides, ingredients and active ingredients;
  - synthetic chemistry, biology and/or plant extraction and the production of their active ingredients;
- the holding and management, in particular in the form of franchises, concessions or any other means, of intellectual and industrial property rights as well as the approval, certification and obtaining of marketing authorisations related to the activities of the Company and its subsidiaries and associates;
- assistance to the Company's subsidiaries and holdings in the areas of sales, administration, management, development strategy, marketing, finance, negotiation, etc.;
- the acquisition, management, administration, development, transformation, rental, sale of any

buildings or real estate;

- the management of its securities portfolio, investment of its available funds;
- operation of all land;
- granting any sureties or guarantees for the benefit of any company in its group or in the normal course of business of any companies in its group and any transactions authorised by law; and
- generally, all transactions whatsoever (financial, commercial, industrial, civil, real estate or movable property), which may be directly or indirectly related to the above purpose and to any similar or related activities, of a nature such as to promote its extension or development.

## 19.2.2 Rights, privileges and restrictions attached to the Company's shares

### 19.2.2.1 Form of securities

Fully paid -up shares may be held in registered or bearer form, at the discretion of each shareholder, subject, however, to the application of legal provisions relating to the form of shares held by certain natural persons or legal entities. Shares that are not fully paid up must be in registered form.

The shares are registered in an account under the terms and conditions provided for by the legal and regulatory provisions in force.

### 19.2.2.2 Voting rights

The voting rights attached to the capital or dividend shares are in line with the proportion of the share capital they represent and each share gives the right to one vote.

However, a voting right that is double that granted to other shares, in line with the proportion of the share capital they represent, is allocated to all fully paid-up shares which are proven to have been registered for at least two years in the name of the same shareholder; the duration of registration in registered form prior to the date of the collective decision establishing this right, i.e. 8 March 2021 is not taken into account.

### 19.2.2.3 Rights to dividends and profits

Each share entitles its holder to a proportionate share in the profits, corporate assets and liquidation proceeds.

After approval of the annual financial statements and determination if distributable sums exist, the Shareholders' Meeting shall determine, if applicable, the portion to be allocated to the shareholders in the form of dividends.

The terms of payment of dividends approved by the Shareholders' Meeting are set by it or, failing that, by the Board of Directors. In accordance with the law, the payment of dividends in cash must take place no later than nine (9) months after the end of the financial year. The extension of this period may be granted by court order.

The Shareholders' Meeting shall have the right to grant each shareholder, for all or part of the dividend or interim dividend, an option between payment of the dividend or interim dividend in cash or in shares.

The offer of payment in shares, the price and conditions of issue of the shares as well as the request for payment in shares and the conditions for carrying out the capital increase are governed by the law and regulations.

#### 19.2.2.4 Rules establishing reserves or sinking funds

If the accounts for the financial year approved by the General Meeting show a distributable profit as defined by law, the General Meeting shall decide whether to appropriate it to one or more reserve accounts, to carry it forward or to distribute it as dividends.

In accordance with the law, at least one-twentieth of the profit for the financial year, less any previous losses, shall be deducted to form a reserve fund known as the “legal reserve”. This deduction is no longer mandatory when the reserve reaches one tenth of the share capital.

#### 19.2.2.5 Preferential subscription rights

The Company’s shares benefit from a preferential subscription right to capital increases under the conditions provided for by the French Commercial Code.

#### 19.2.2.6 Limitation of voting rights

No clause in the Bylaws restricts the voting rights attached to the shares.

#### 19.2.2.7 Identifiable bearer securities

With a view to identifying the owners of bearer shares, the Company or its agent is entitled, under the applicable legislative and regulatory conditions, to request, at any time and at its own expense, from either the central custodian that administers the issuance account of its shares, or directly from one or more intermediaries referred to in Article L. 211-3 of the French Monetary and Financial Code, information concerning the owners of its shares and securities granting immediate or future rights to vote at its own Shareholders' Meetings.

#### 19.2.2.8 Company buyback of its own shares

Please refer to section 19.1.3 of the Registration Document.

#### 19.2.2.9 Crossing of statutory thresholds

Any natural or legal person, acting alone or in concert, who comes to own, in any way whatsoever, directly or indirectly, a number of shares representing a fraction equal to 2.5% of the share capital or voting rights, or any multiple of this percentage, must provide the Company with the information referred to in I of Article L. 233-7 of the French Commercial Code (notably the total number of shares or voting rights held by the interested party or equivalents pursuant to Article L. 233-9 of the French Commercial Code), at the latest before the close of trading on the 4<sup>th</sup> trading day following the day on which the shareholding threshold is crossed, by registered letter with acknowledgment of receipt, or by any other equivalent means for persons residing outside France, addressed to the registered office.

This obligation applies under the same conditions as those provided for above, whenever the fraction of the share capital or voting rights owned falls below one of the thresholds provided for.

In the event of non-compliance with the above stipulations and upon request, recorded in the minutes of the relevant Shareholders' Meeting, of one or more shareholders holding at least 2.5% of the share capital or voting rights, the shares exceeding the fraction that has not been duly declared shall be deprived of voting rights at any Shareholders' Meeting held until the expiry of a period of two years following the date of regularisation of the notification of the shareholding. Under the same conditions, the voting rights attached to these shares and which have not been duly declared cannot be exercised or delegated by the defaulting shareholder.

Compliance with this statutory obligation to disclose the crossing of thresholds does not, under any circumstances, exempt any natural or legal person from complying with the reporting obligations provided for by the legal and regulatory provisions (including those of the General Regulation of the French Financial Markets Authority (*Autorité des marchés financiers*) and market rules in force).

#### 19.2.3 Arrangements for delaying, deferring or preventing a change of control

The Company's Bylaws do not contain any mechanisms to delay, defer or prevent a change of control.

## **20. MAJOR CONTRACTS**

The Group has not entered into any significant contracts other than those entered into in the normal course of business.

## 21. DOCUMENTS AVAILABLE

Copies of the Registration Document are available free of charge at the Group's registered office, 20, rue Jean Duvert – 33290 Blanquefort, France, as well as in electronic format on the Company's website ([www.groupeberkem.com](http://www.groupeberkem.com)) and on the website of the French Financial Markets Authority (*Autorité des marchés financiers*) ([www.amf-france.org](http://www.amf-france.org)).

During the period of validity of the Registration Document, the following documents (or a copy of these documents) may be consulted:

- the Company's Articles of Incorporation and Bylaws;
- all reports, letters and other documents, historical financial information;
- valuations and statements prepared by an expert at the Company's request, some of which are included or referred to in the Registration Document; and
- the historical financial information included in the Registration Document.

All of these legal and financial documents relating to the Company and which must be made available to shareholders in accordance with the regulations in force may be consulted at the Company's registered office.

The Company intends to disclose its financial results in accordance with the requirements of applicable laws and regulations. As such, the Company does not intend to disclose its financial results on a quarterly basis. As from the admission to trading of the Company's shares on the Euronext Growth Paris market, regulated information within the meaning of the provisions of the AMF General Regulation will also be available on the Company's website ([www.groupeberkem.com](http://www.groupeberkem.com)).

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REGISTRATION DOCUMENT FOR EQUITY SECURITIES  
GROUPE BERKEM REGISTRATION DOCUMENT**

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