



QUARTERLY REPORT

For the Quarterly Period Ended
June 30, 2022

Pursuant to Section 4.03 of the Indenture dated September 24, 2020, by and between SPCM SA and BNY Mellon Corporate Trustee Services Limited, as Trustee, The Bank of New York Mellon, London Branch, as Paying Agent, and The Bank of New York Mellon SA/NV, Luxembourg Branch, as Transfer Agent and Registrar

Pursuant to Section 4.03 of the Indenture dated September 20, 2021, by and between SPCM SA and BNY Mellon Corporate Trustee Services Limited, as Trustee, The Bank of New York Mellon, London Branch, as Paying Agent, and The Bank of New York Mellon SA/NV, Dublin Branch, as Transfer Agent and Registrar

2.000% Senior Notes due 2026
2.625% Senior Notes due 2029

3.125% Senior Notes due 2027
3.375% Senior Notes due 2030

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FORWARD-LOOKING STATEMENTS

Various statements contained in this document constitute “forward looking statements” as that term is defined under the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this document, including, without limitation, statements regarding our future financial position, strategy, anticipated investments, costs and results (including growth prospects in particular regions), plans, projects to enhance efficiency, impact of governmental regulations or actions, litigation outcomes and timetables, future capital expenditures, liquidity requirements, the successful integration of acquisitions and joint ventures into our group, and objectives of management for future operations, may be deemed to be forward looking statements. When used in this document, the words “believe,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimates,” “positioned,” “strategy,” “aims,” “projects,” “forecasts,” “foresees,” “seeks,” “likely,” “may,” “might,” “could,” “intends,” and similar expressions identify these forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward looking statements. These factors include those set forth in our Offering Memorandum dated September 15, 2020, and in our Offering Memorandum dated September 9, 2021.

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

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

PRESENTATION OF FINANCIAL INFORMATION

We have prepared the financial statements contained in this document in accordance with International Financial Reporting Standards, IFRS, as issued by the International Accounting Standards Board (“IASB”) and with IFRS as adopted by the European Union.

FINANCIAL STATEMENTS

QUARTERLY INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (MEUR)	THREE MONTHS ENDED JUNE 30		
	2021	2022	%
Revenue, net	879	1,304	48.3%
Raw materials and transportation costs	(555)	(872)	
Gross profit	324	432	33.1%
% Revenue, net	36.9%	33.1%	
Production costs	(157)	(196)	24.3%
<i>Marketing & distribution costs</i>	(37)	(33)	-9.3%
<i>Local supporting R&D</i>	(13)	(14)	2.3%
<i>General & administrative costs</i>	(21)	(26)	25.6%
Selling, general & administrative costs	(71)	(74)	3.1%
% Revenue, net	8.1%	5.6%	
EBIT	95	162	70.0%
% Revenue, net	10.9%	12.4%	
Depreciation & amortization	51	62	
EBITDA	146	224	53.0%
% Revenue, net	16.6%	17.2%	
Non recurring income (loss)	(7)	(45)	
Financial Income / (Loss)	1	(26)	
Non-consolidated subsidiaries	1	0	
Tax on income	(12)	(19)	
Income after tax	78	72	
Minority interests	(1)	(3)	
Net income	77	69	-10.7%
% Revenue, net	8.8%	5.3%	

YEAR-TO-DATE INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (MEUR)	SIX MONTHS ENDED JUNE 30		
	2021	2022	%
Revenue, net	1,676	2,398	43.1%
Raw materials and transportation costs	(1,047)	(1,613)	
Gross profit	629	786	25.0%
% Revenue, net	37.5%	32.8%	
Production costs	(318)	(384)	20.7%
<i>Marketing & distribution costs</i>	(68)	(67)	-1.5%
<i>Local supporting R&D</i>	(26)	(27)	6.3%
<i>General & administrative costs</i>	(41)	(52)	26.1%
Selling, general & administrative costs	(135)	(146)	8.4%
% Revenue, net	8.0%	6.1%	
EBIT	176	256	45.4%
% Revenue, net	10.5%	10.7%	
Depreciation & amortization	105	124	
EBITDA	281	380	34.9%
% Revenue, net	16.8%	15.8%	
Non recurring income (loss)	(15)	(50)	
Financial Income / (Loss)	(1)	(49)	
Non-consolidated subsidiaries	3	1	
Tax on income	(33)	(32)	
Income after tax	131	125	
Minority interests	(2)	(5)	
Net income	130	120	-7.3%
% Revenue, net	7.7%	5.0%	

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following discussion in conjunction with the consolidated financial statements, including the notes thereto, included elsewhere in this document.

We believe that we are the world's largest producer of polyacrylamide, or PAM, a water-soluble specialty chemical used in water treatment, oil and petroleum applications (including enhanced oil recovery, or EOR), mineral extraction, pulp and paper manufacturing and other industries. PAM has a broad variety of industrial and commercial uses as a flocculant, which facilitates the separation of suspended solids from water, as a viscosity modifier, which alters the thickness of liquids, and as a drag reducer, which decreases the pressure drop along a segment of pipe. In addition to PAM, of which we estimate we produced 48% of global output in 2021 and from which we generated approximately 82% of our 2021 net revenue, we also produce and sell related specialty chemicals such as coagulants and monomers. We also sell dispersants, which are used in the paper, household products and mining industries; mining reagents, which are used in the minerals processing industry; and equipment that facilitate the utilization of PAM.

We operate our business through four geographic zones: EMEA (Europe, the Middle East and Africa), North America, Latin America, and Asia Pacific. Our net revenue by geographic zone as a percentage of total revenue for the three months ended June 30, 2022 and the three months ended March 31, 2022 are set forth in the table below:

NET REVENUE

	Three months ended March 31, 2022	Three months ended June 30, 2022
EMEA	24.1%	25.1%
North America	38.4%	39.1%
Latin America	8.3%	8.5%
Asia Pacific	29.2%	27.3%

The differences in revenue breakdown by geographic zones between 1Q22 and 2Q22 are primarily due to higher sales growth in North America than in other geographic zones of the world.

CONSOLIDATED INCOME STATEMENT

NET REVENUE

We had total net revenue of €1,304 million for the three months ended June 30, 2022, representing an increase of 48.3% over total net revenue of €879 million for the three months ended June 30, 2021. Foreign exchange rate translation had a positive impact of about 9.5% for the quarter, reflecting primarily the appreciation of the US dollar and the Chinese Renminbi versus the Euro. Our total growth in constant currency was therefore an increase of 38.8%, broken down in a volume increase of 15.4% and a price increase of 23.4%.

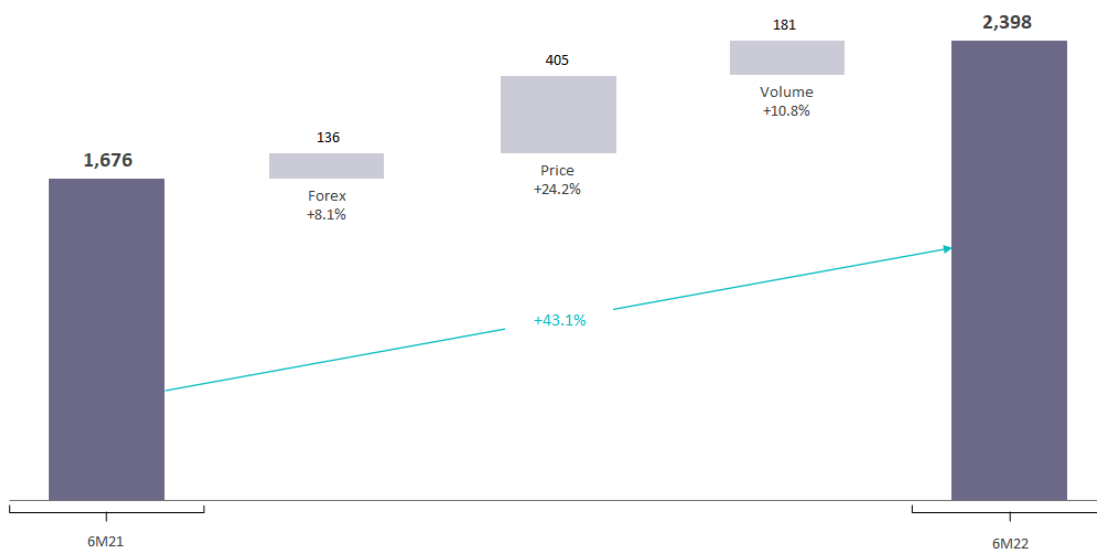
Compared with the first quarter of the year, our revenue increase for this quarter was 19.1%, spread between negative foreign exchange rate translation of (0.3)%, volume increase of 11.2% and price increase of 8.2%.

For the first six months of 2022, we had total net revenue of €2,398 million representing an increase of 43.1% over total net revenue of €1,676 million for the first six months of 2021. Foreign exchange rate translation had a positive impact of about 8.1% for the semester, reflecting primarily the appreciation of the US dollar and the Chinese Renminbi versus the Euro. Our total growth in constant currency was therefore an increase of 35.0%, broken down in a volume increase of 10.8% and a price increase of 24.2%.

THE FOLLOWING GRAPH BREAKS DOWN THE GROWTH BETWEEN 2Q21 AND 2Q22 (IN MEUR):



THE FOLLOWING GRAPH BREAKS DOWN THE GROWTH BETWEEN 6M21 AND 6M22 (IN MEUR):



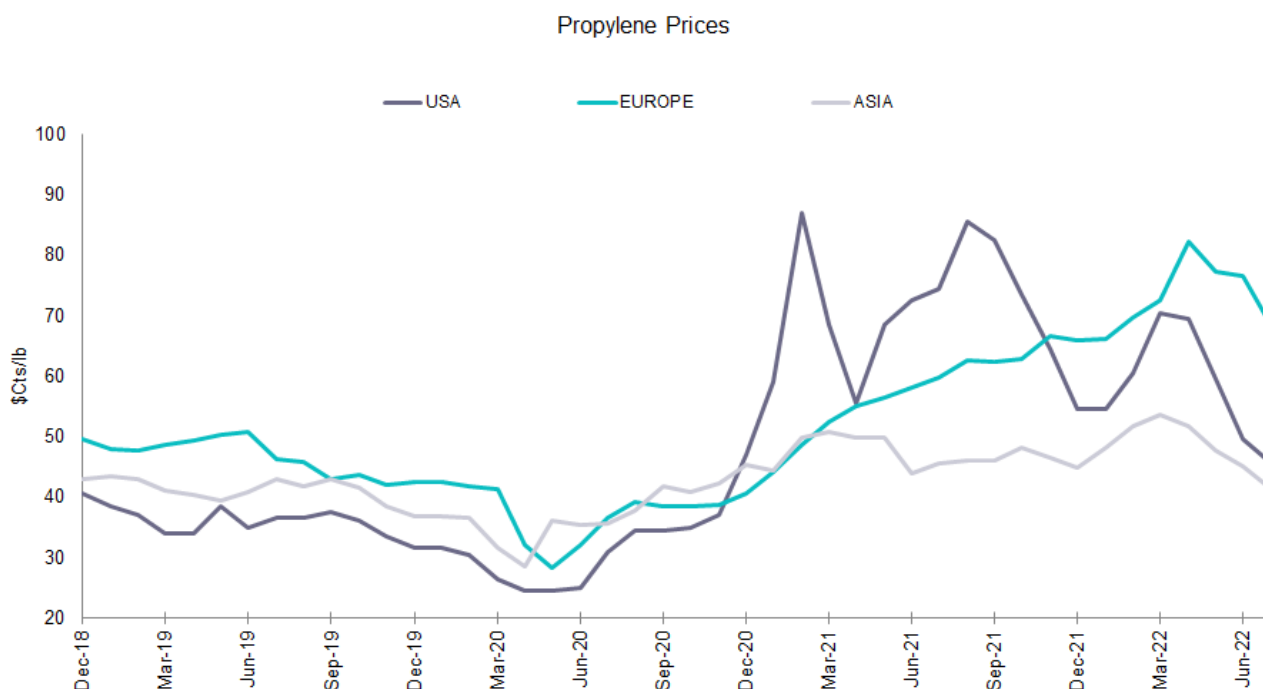
GROSS PROFIT

Gross profit increased by 33.1% to €432 million for the three months ended June 30, 2022, compared with €324 million for the three months ended June 30, 2021. As a percentage of net revenue, gross profit was 33.1% for the three months ended June 30, 2022, as compared to 36.9% for the three months ended June 30, 2021 and 32.4% for the three months ended March 31, 2022.

THE FOLLOWING TABLE ILLUSTRATES THE EVOLUTION OF OUR GROSS PROFIT MARGIN IN THE PAST SIX QUARTERS:

(MEUR)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Sales	797	879	943	996	1,094	1,304
Gross profit	305	324	296	292	354	432
% sales	38.2%	36.9%	31.4%	29.3%	32.4%	33.1%

THE FOLLOWING GRAPH ILLUSTRATES THE EVOLUTION OF PROPYLENE PRICES, OUR MAIN FEEDSTOCK, SINCE THE END OF 2018:



In the first months of 2022, the war between Russia and Ukraine has increased the already inflated cost environment coming from 2021. Propylene prices have remained especially high in Europe and in the US, both regions in which we have introduced several price increases. Since May 2022, propylene prices have started to decline mainly in the US and in Asia. In Asia, Chinese economy remains negatively impacted by China's zero-Covid policy.

PRODUCTION COSTS

Production costs increased by 24.3% to €196 million for the three months ended June 30, 2022, compared with €157 million for the three months ended June 30, 2021. As a percent of net revenue, production costs were 15.0% in the second quarter of 2022, compared with 17.9% in the second quarter of 2021 and 17.2% in the first quarter of 2022.

SELLING, GENERAL AND ADMINISTRATIVE COSTS (SG&A)

SG&A increased by 3.1% to €74 million for the three months ended June 30, 2022, compared with €71 million for the three months ended June 30, 2021. As a percent of net revenue, SG&A were 5.6% in the second quarter of 2022, compared with 8.1% in the second quarter of 2021 and 6.6% in the first quarter of 2022.

EBITDA

EBITDA increased by 53.0% at €224 million for the three months ended June 30, 2022, compared with €146 million for the three months ended June 30, 2021. EBITDA as a percentage of net revenue was 17.2% in the second quarter of 2022, compared with 16.6% in the second quarter of 2021 and 14.2% in the first quarter of 2022.

THE FOLLOWING TABLE ILLUSTRATES THE EVOLUTION OF OUR EBITDA MARGIN IN THE PAST SIX QUARTERS:

(MEUR)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Sales	797	879	943	996	1,094	1,304
EBITDA	135	146	133	101	156	224
% sales	17.0%	16.6%	14.1%	10.1%	14.2%	17.2%

NON-RECURRING INCOME/ (LOSS)

Non-recurring loss was €(45) million for the three months ended June 30, 2022. Out of this balance, €24 million pertain to the dismantlement of our last xanthate plant in China, and €20 million to the impairment of our Saratov plant in Russia, that remains idle. Those both items are non-cash costs.

FINANCIAL INCOME/(LOSS)

Financial income was a loss of €(26) million for the three months ended June 30, 2022, compared with an income of €1 million for the three months ended June 30, 2021. Financial result primarily consisted of interest payments on our debt, amounting to €12 million in the second quarter of 2022. Foreign exchange gains and others had a negative impact of about €(14) million in the second quarter of 2022, compared with a positive impact of €13 million in the second quarter of 2021.

THE FOLLOWING TABLE SUMMARIZES THE BREAKDOWN OF OUR FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2021 AND FOR THE FIRST TWO QUARTERS OF 2022:

FINANCIAL (MEUR)	2Q21	1Q22	2Q22
Interest expenses	(11)	(11)	(12)
Exchange gain and others	13	(12)	(14)
IFRS 9 impact	(0)	-	-
IFRS 16 impact	(0)	(0)	(1)
Total	1	(23)	(26)

NET INCOME

Net income totaled €69 million for the three months ended June 30, 2022, compared with €77 million for the three months ended June 30, 2021. Net income as a percentage of net revenue was 5.3% in the second quarter of 2022, compared with 8.8% in the second quarter of 2021 and 4.7% in the first quarter of 2022.

CONSOLIDATED CASH FLOW STATEMENT

THE FOLLOWING TABLE SUMMARIZES OUR CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2021 AND FOR THE FIRST TWO QUARTERS OF 2022:

CASH FLOW (MEUR)	Year 2021	1Q22	2Q22
Cash flow	490	151	223
Net cash from operating activities	89	22	107
Net cash used in investing activities	(333)	(104)	(124)
Net cash from financing activities	99	63	67
Cash at end of the period	307	292	348

For the three months ended June 30, 2022, our cash flow totaled €223 million and our net cash from operating activities totaled €107 million. Our working capital has increased by €92 million in the second quarter, below our sales growth. Working capital as a percentage of quarterly annualized sales was 23.3% for the second quarter of 2022, compared with 23.3% for the second quarter of 2021 and 25.1% for the first quarter of 2022.

For the three months ended June 30, 2022, net cash used in investing activities was €124 million. Out of this total, €103 million pertain to capital expenditures, in line with our investment plan. We still expect to spend more in the first half of the year than in the second half of the year.

As of June 30, 2022, we had cash and cash equivalents of €348 million on a consolidated basis. Our total unused lines of credit were €331 million on June 30, 2022, leading to a total liquidity of €679 million, compared with €602 million at the end of the first quarter 2022.

THE FOLLOWING TABLE SUMMARIZES OUR CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2021 AND FOR THE FIRST SIX MONTHS OF 2022:

CASH FLOW STATEMENT (MEUR)	2021 12M	2022 6M
NET INCOME	188	120
Allowances for depreciation and amortization, provisions	229	149
Reversals of depreciation, amortization and provisions	(15)	(4)
Grants transferred to net income	(0)	(0)
Undistributed earnings accounted for under the equity method	(4)	(1)
Gains/ (losses) from asset disposals	12	23
Fair value variation of non-consolidated entities and others	(9)	(9)
Income attributable to non-controlling interests	3	5
Income tax charge (current and deferred)	47	33
Other financial expense and income	38	56
CASH FLOW GENERATED FROM OPERATIONS	490	374
Change in inventories and work in progress	(283)	(126)
Change in receivables	(247)	(164)
Change in payables	204	107
Change in other payables and receivables	5	(11)
Tax payments	(33)	(27)
Interest expense payments	(47)	(22)
NET CASH FROM OPERATING ACTIVITIES	89	130
Inflows from fixed asset disposals	4	1
Investments in property, plant and equipment	(292)	(197)
Investments in intangible assets	(37)	(8)
Acquisitions	(9)	(24)
NET CASH FROM INVESTING ACTIVITIES	(333)	(228)
Net variation loans and borrowings	100	131
Share capital increases (reductions)	-	-
Dividends paid (including non-controlling interests)	(1)	(1)
NET CASH FROM FINANCING ACTIVITIES	99	130
Effect of changes in exchange rates	13	9
NET CHANGE IN CASH AND CASH EQUIVALENTS	(132)	41
Net opening cash and cash equivalents	439	307
Net closing cash and cash equivalents	307	348

BALANCE SHEET AND OTHER FINANCIAL DATA

CONSOLIDATED BALANCE SHEET (MEUR)	March 31, 2022	June 30, 2022
Goodwill	80	93
Tangible assets, net	2,291	2,405
Cash, at bank and on hand	292	348
Total assets	4,824	5,241
Shareholder's equity	2,010	2,165
Borrowings	1,783	1,932
OTHER FINANCIAL DATA (MEUR)	March 31, 2022	June 30, 2022
LTM EBITDA	536	613
LTM Interest expenses	46	46
Adjusted net debt	1,483	1,546
Net debt to LTM EBITDA	2.77x	2.52x
Interest expense ratio	11.8x	13.4x
Net debt to shareholder's equity	0.7x	0.7x

As of June 30, 2022, our total debt was €1,932 million, compared with €1,783 million on March 31, 2022. In May 2022, we took a new bilateral bank line of €100 million with a maturity date of September 1, 2026. On June 30, 2022, our adjusted net debt was €1,546 million, compared with €1,483 million on March 31, 2022. The debt variation between the first and the second quarter of 2022 is broken down in the following table.

DEBT (MEUR)	1Q22	2Q22	Var
Senior Notes	1,331	1,374	43
Senior Facility	83	49	(34)
Other SPCM	307	412	105
Subsidiaries	9	31	21
IFRS 16	51	62	10
Others	2	5	3
Total Debt	1,783	1,932	149
Adjustments as per bank facility	(8)	(38)	(29)
Gross cash and cash equivalents	(292)	(348)	(56)
Adjusted Net Debt	1,483	1,546	64

As of June 30, 2022, our adjusted net debt to LTM EBITDA ratio was 2.52x, compared with 2.77x on March 31, 2022.