SNF Group

Société anonyme

ZAC de Milieux

42160 ANDREZIEUX BOUTHEON

Statutory auditors' report on the consolidated financial statements

For the year ended December 31st, 2023

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

SNF Group

Société anonyme

ZAC de Milieux

42160 ANDREZIEUX BOUTHEON

Statutory auditors' report on the consolidated financial statements

For the year ended December 31st, 2023

To the Annual General Meeting of SNF Group

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of SNF Group for the year ended December 31st, 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31st, 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from January 1st, 2023 to the date of our report.

Justification of Assessments

In accordance with the requirements of Articles L. 821-53 and R. 821-180 of the French Commercial Code relating to the justification of our assessments, we inform you that the assessments which, in our professional judgment, were of most significance in our audit of the financial statements addressed the appropriateness of the accounting principles used.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by law and regulations of the information presented in the report of the Board of Directors on the management of the group.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code is included in the report of the Board of Directors on the management of the group, it being specified that, in accordance with the provisions of Article L.823-10 of the code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 821-55 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Saint-Etienne and Lyon, March 8th, 2024

The statutory auditors

French original signed by

BM AUDIT	**DELOITTE & ASSOCIES**
Emilie VIRICELLE	Josselin VERNAY

SNF
WATER SCIENCE

2023

Financial statements
&
Notes to the consolidated financial statements

CONTENTS

FINANCIAL STATEMENTS 4

Income statement 4
Consolidated statement of comprehensive income 5
Consolidated statement of financial position 6
Consolidated cash flow statement 8
Consolidated statement of changes in equity 9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 10

Note 1 – Highlights of the period and post balance sheet events 10
Note 2 - Statement of accounting policies 12
Note 3 - Principles of consolidation 15
Note 4 - Accounting principles 18
Note 5 - Presentation of the income statement 26
Note 6 - Consolidation scope 28
Note 7 - Notes to the consolidated financial statements 32
Note 8 - Notes to the consolidated income statement 60
Note 9 - Notes relating to commitments and other disclosures 66

FINANCIAL STATEMENTS

INCOME STATEMENT

In € thousands	Notes	2023	2022
Revenue	8.1	4,518,938	4,910,922
Cost of sales	8.2	(2,678,064)	(3,239,883)
GROSS MARGIN		**1,840,874**	**1,671,040**
MANUFACTURING COSTS	8.2	**(860,254)**	**(813,241)**
Marketing costs	8.2	(175,003)	(147,724)
Research and development expenditure	8.2	(62,720)	(59,059)
Administrative expenses	8.2	(125,107)	(113,809)
GENERAL AND ADMINISTRATIVE EXPENSES		**(362,829)**	**(320,592)**
RECURRING OPERATING INCOME		**617,791**	**537,207**
Non-recurring operating income/(expenses)	8.6	(63,736)	(89,056)
OPERATING INCOME		**554,054**	**448,151**
Financial income/(expenses)	8.6	(63,508)	**(106,327)**
INCOME BEFORE TAX		**490,547**	**341,824**
Income tax	8.7	(117,763)	(79,957)
Share in earnings of associates		646	1,960
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**373,430**	**263,827**
Profit/(loss) from discontinued operations		**-**	**-**
NET INCOME		**373,430**	**263,827**
Attributable to non-controlling interests		(8,099)	(9,829)
NET INCOME ATTRIBUTABLE TO THE GROUP		**365,331**	**253,998**
Basic earnings per share		**80.31**	**55.84**
Diluted earnings per share		**80.31**	**55.84**

Amortisation, depreciation and provisions for impairment amounted to €284 million in 2023 compared to €266 million in 2022 (see breakdown in note 8.4).

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Notes	2023	2022
Consolidated net income		**373,430**	**263,827**
Hedging instruments			-
Currency translation adjustments		(100,150)	33,691
Taxation			-
Items subsequently posted to profit or loss		**(100,150)**	**33,691**
Actuarial gains/(losses)		(20,220)	22,179
Taxation		(500)	(5,015)
Items not posted to profit or loss		**(20,719)**	**17,164**
Total income and expenses directly recognised in equity		**(120,870)**	**50,855**
Comprehensive income for the period		**252,560**	**314,682**
Attributable to owners of the parent company		247,032	305,842
Attributable to non-controlling interests		5,529	8,840

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

In € thousands	Notes	31/12/2023	31/12/2022
Goodwill	7.1	98,991	92,157
Other intangible assets	7.1	116,631	98,832
Right-of-use lease assets	2.1	63,510	53,300
Property, plant and equipment	7.2	2,494,156	2,362,066
Investments in associates	6.3	5,477	13,629
Financial assets	7.3	60,987	56,426
Other non-current financial assets	7.3	23,725	13,378
Deferred tax	8.7	4,369	317
Other non-current assets	7.4	22,636	19,890
NON-CURRENT ASSETS		**2,890,484**	**2,709,994**
Inventories and work in progress	7.5	886,850	1,020,027
Trade receivables and other assets relating to contracts with customers	7.6	779,821	846,224
Other current receivables	7.7	198,147	177,487
Current tax	8.7	24,350	43,692
Other current financial assets	7.7	22,296	12,706
Cash management financial assets	7.8	76,209	60,869
Cash and cash equivalents	7.8	440,672	309,559
CURRENT ASSETS		**2,428,345**	**2,470,565**
TOTAL ASSETS		**5,318,828**	**5,180,559**

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

EQUITY & LIABILITIES

In € thousands	Notes	31/12/2023	31/12/2022
Share capital	7.9	50,039	50,039
Retained earnings and reserves		2,030,633	1,875,062
Net income for the period		365,331	253,998
EQUITY ATTRIBUTABLE TO THE GROUP		**2,446,003**	**2,179,098**
NON-CONTROLLING INTERESTS	7.10	**45,619**	**42,250**
TOTAL SHAREHOLDERS' EQUITY		**2,491,622**	**2,221,348**
Deferred tax	8.7	175,883	175,839
Non-current provisions	7.11	24,379	25,964
Non-current borrowings	7.13	1,733,308	1,809,063
Non-current finance lease liabilities		50,552	41,241
Other non-current liabilities	7.14	23,355	30,060
NON-CURRENT LIABILITIES		**2,007,477**	**2,082,167**
Current provisions	7.11	2,979	2,958
Current borrowings	7.13	68,470	42,229
Current finance lease liabilities		15,126	14,576
Trade payables	7.14	467,534	584,576
Other current liabilities	7.14	245,761	214,351
Current tax	8.7	19,861	18,354
CURRENT LIABILITIES		**819,730**	**877,044**
TOTAL EQUITY AND LIABILITIES		**5,318,828**	**5,180,559**

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In € thousands	Notes	2023	2022
NET INCOME ATTRIBUTABLE TO THE GROUP		**365,331**	**253,998**
Depreciation, amortisation and provisions		311,498	302,389
Reversals of depreciation, amortisation and provisions		(5,971)	(13,911)
Grants transferred to net income		(205)	(185)
Undistributed earnings of associates		(383)	(1,366)
Gains/(losses) from asset disposals		6,168	29,618
Other items		(2,088)	(1,711)
Income attributable to minority interests		8,099	9,829
Income tax charge (current and deferred)		118,502	84,059
Gross interest expense	8.6	64,344	113,829
FREE CASH FLOW		**865,296**	**776,549**
Change in inventories and work in progress		103,092	(168,471)
Change in trade receivables		53,265	(108,765)
Change in trade payables		(110,480)	16,495
Change in other payables and receivables		(10,522)	188
Tax paid		(95,994)	(68,059)
Interest paid		(67,013)	(55,482)
NET CASH FROM OPERATING ACTIVITIES		**737,645**	**392,455**
Inflows from fixed asset disposals		2,731	2,040
Investments in property, plant and equipment and intangible assets		(475,182)	(418,483)
Financial investments		(20,216)	4,733
Acquisition of subsidiaries, net of cash acquired		(50,294)	(30,993)
Repayments of non-current financial assets		5,192	8,323
NET CASH FROM INVESTING ACTIVITIES		**(537,769)**	**(434,381)**
Change in borrowings		(26,029)	126,829
Repayment of loans and borrowings		0	(1)
Share capital increases/(reductions)		0	(0)
Dividends paid (including to minority interests)		(6,373)	(4,605)
NET CASH FROM FINANCING ACTIVITIES		**(32,402)**	**122,223**
Effect of changes in exchange rates		(21,003)	(17,254)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**146,471**	**63,043**
Opening cash and cash equivalents	7.8	370,429	307,615
Opening bank overdrafts		(44)	(274)
Closing cash and cash equivalents		516,880	370,429
Closing bank overdrafts	7.8	(24)	(44)

Notes 1 to 9 to the consolidated financial statements are an integral part of the financial statements.
During the fiscal year ended 31 December 2023, changes in long-term borrowings excluding changes in cash amounted to a €24 million reduction due to unrealised foreign exchange gains and losses.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousands	Share capital	Retained earnings and reserves	Currency translation adjustments	Equity attributable to the Group	Non-controlling interests	Total equity
1 JANUARY 2022	**50,039**	**1,707,079**	**115,963**	**1,873,081**	**37,364**	**1,910,444**
Consolidated net income for the period		253,998		253,998	9,829	263,827
Gains and losses recognised in other comprehensive income		17,164	34,680	51,844	(990)	50,855
Comprehensive net income for the period		**271,162**	**34,680**	**305,842**	**8,840**	**314,682**
Distribution of dividends		(1,020)		(1,020)	(3,965)	(4,985)
Share capital increase						
Changes in consolidation scope		480	(708)	(228)	289	61
Other changes		(1,140)	2,564	1,424	(278)	1,146
31 DECEMBER 2022	**50,039**	**1,976,561**	**152,499**	**2,179,099**	**42,250**	**2,221,348**
Consolidated net income for the period		365,331		365,331	8,099	373,430
Gains and losses recognised in other comprehensive income		(20,719)	(97,576)	(118,295)	(2,575)	(120,870)
Comprehensive net income for the period		**344,611**	**(97,576)**	**247,036**	**5,525**	**252,560**
Distribution of dividends		(1,001)		(1,001)	(5,372)	(6,373)
Share capital increase						
Changes in consolidation scope		23,157	4,473	27,630	3,294	30,923
Other changes		(2,387)	(4,373)	(6,760)	(77)	(6,837)
AT 31 DECEMBER 2023	**50,039**	**2,340,941**	**55,023**	**2,446,003**	**45,619**	**2,491,622**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Founded in 1978, SNF Group is a French limited company (société anonyme) subject to all laws and regulations governing trading companies in France and, in particular, to the provisions of the French Commercial Code (Code de Commerce). The Company's registered office is located in ZAC de Milieu, Andrézieux-Bouthéon (Loire), France. The Group designs, manufactures and sells a range of chemical products.

The Company's fiscal year runs from 1 January to 31 December.

The 2023 consolidated financial statements including notes thereto were approved by the SNF Group Board of Directors on 6 March 2024. The information and accounting data presented below is expressed in thousands of euros, with the exception of earnings per share information, which is given in euros.

NOTE 1 – HIGHLIGHTS OF THE PERIOD AND POST BALANCE SHEET EVENTS

1.1. HIGHLIGHTS OF THE PERIOD

IMPACT OF THE RISE IN INTEREST RATES AND ENERGY PRICES

The rise in interest rates had no material impact as borrowings are mostly at fixed rates.

The increase in energy prices led to an increase of €1.5 million in energy expenses in 2023. The Group has adopted a policy of increased use of renewable energy sources. The positive effects of this policy have limited the impact of rising costs in 2023 while stepping up the decarbonisation of our operations.

Energy represents 3.4% of revenue, which is low in the chemical industry, in line with our soft chemistry activity.

• PENSION AND RETIREMENT IMPACT

Following the French pension reform adopted on 15 April 2023, the statutory retirement age increased from 62 to 64 for employees under the general scheme. Pursuant to IFRS, the pension reform is considered as a change in the pension plan, with the impact being immediately recognised under profit or loss. The estimated impact of €1.4 million was recognised in profit or loss for H1 2023.

• BUSINESS ACTIVITY IN 2023

The Group generated net total revenue of €4,519 million in 2023, down 8.0% compared to 2022. Currency depreciation, especially concerning the dollar and the yuan, had a negative impact of 3.3%. Exchange-adjusted growth was therefore a contraction of 4.7% due to a 3.3% fall in prices and a 1.4% fall in volumes. Gross margin came to €1,841 million compared to €1,671 million in 2022. This sharp increase in the margin is mainly due to lower raw material prices.

• 2023 CAPITAL EXPENDITURE

Investments in property, plant and equipment rose to €477 million in 2023 from €423 million in 2022. The investments concern process improvements and capacity increases, mainly in France (€192 million), USA (€171 million), and Asia (€65 million).

• BORROWINGS

Gross borrowings totalled €1,867 million at 31 December 2023, versus €1,907 million at 31 December 2022.

The credit facility was renewed on 27 June 2023. The amount that can be drawn down was increased from €350 million to €750 million with a final maturity date of 27 June 2028, which can be further extended by two years.

• STATUS OF LITIGATION

Patents: SNF Group is involved in and institutes litigation proceedings in various countries. None of these disputes are likely to have a material impact on the Group financial statements.

• ACQUISITION OF EQUITY INTERESTS

SNF Group continues its development and has acquired equity interests:

- in South America with the acquisition of Sabinur, Argentina, and the buyout of all minority interests in BM Allied, Mexico;

- in North America with the acquisition of two distributors;

- in Asia with the acquisition of a majority stake.

OTHER HIGHLIGHTS

The Group fully impaired the property, plant, and equipment under construction in Russia to reflect the current geopolitical context.

1.2. POST BALANCE SHEET EVENTS

No material events have occurred between the end of the reporting period (31 December 2023) and the date the Board of Directors approved the financial statements (6 March 2024) that could modify the financial information presented herein.

NOTE 2 - STATEMENT OF ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the general principles of IFRS: fair presentation, going concern, accrual basis of accounting, consistency of presentation, materiality and aggregation. The historical cost basis of accounting is applied to all assets, with the exception of financial assets and financial instruments measured at fair value.

The Group's financial statements are prepared in euros, the presentation currency as well as the functional currency of the parent company.

2.1. BASIS OF PREPARATION

In accordance with the terms of the 23 June 2006 senior syndicated credit facility and the June 2006 high yield corporate bond issue, since 1 January 2006 the SNF Group's consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable for the fiscal year ended 31 December 2023.
The IFRS may be consulted on the European Commission website.

The accounting policies applied are consistent with those used to prepare the 2023 consolidated financial statements with the exception of standards, amendments and interpretations adopted by the European Union effective 1 January 2023. These mainly concern:

- amendment to IAS 1 - Disclosure of Accounting Policies, and updated IFRS Practice Statement 2: Making Materiality Judgements, adopted by the EU in March 2022;
- amendment to IAS 8 - Definition of accounting estimates, adopted by the EU in March 2022;
- amendment to IAS 12 - Deferred tax related to assets and liabilities arising from the same transaction, adopted by the EU in August 2022;
- amendment to IAS 12 - Pillar Two, adopted by the EU in November 2023 and immediately applicable in 2023.

The Group continues to work on assessing its exposure to Pillar Two provisions and currently believes that the impact will not be material considering the tax rates applied by its subsidiaries worldwide.

The new standards, amendments and interpretations applicable from 1 January 2023 are not applicable or did not have a material impact on the Group's financial statements.

• New standards and interpretations applicable from 1 January 2022

The European Union adopted the following texts whose application is mandatory for the Group for its fiscal year beginning 1 January 2022:
- Amendments to IFRS 3 - Reference to the conceptual framework:
- Amendments to IAS 37 - Onerous contracts - Cost of fulfilling a contract;
- Amendment to IAS 16 - Property, plant and equipment - Proceeds before intended use;
- Annual improvements to standards - 2018-2020 (amendments to IAS 41 - Taxation in Fair Value Measurements; IFRS 1 - Subsidiary that becomes a first-time adopter;
- IFRS 9 - Derecognition of financial liabilities: fees in the "10% test";
- IFRS 16 - Lease incentives.

The application of the IFRIC decision published in April 2021 on the recognition of SaaS software configuration and customisation costs did not have a material impact on the financial statements.

These amendments did not have an impact on the Group financial statements.

• Standards and interpretations adopted by the IASB not yet applicable at 31 December 2022

The Group did not apply in advance any new standards, amendments and interpretations, whether adopted or not yet adopted by the European Union, due to come into force after 1 January 2023 subject to their adoption by the European Commission, whose application was therefore possible but not mandatory. These mainly concern the following standards, amendments and interpretations:

- Amendments to IAS 1 - Disclosure of accounting policies, published by the IASB in February 2021 and adopted by the European Union in March 2022 (a);
- Amendments to IAS 8 - Definition of accounting estimates, published by the IASB in February 2021 and adopted by the European Union in March 2022 (a);
- Amendments to IAS 12 - Deferred tax relating to assets and liabilities arising from the same transaction, adopted by the European Union in August 2022 (a);
- Amendments to IAS 1 - Classification of liabilities as current or non-current, published by the IASB in January and July 2020, and amendments to IAS 1 - Non-current liabilities with covenants, published by the IAS in October 2022, whose adoption process by the European Union began at the end of 2022 (b).

The other standards, amendments and interpretations adopted by the IASB, for which the adoption process is currently underway, are as follows:

- Amendment to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate or joint venture;
- Amendments to IFRS 16 - Lease liability in a sale and leaseback (b).

(a) : date of first-time application: 1 January 2023;
(b) : date of first-time application: 1 January 2024.

The Group did not apply in advance any new standards, amendments or interpretations, whether adopted or to be adopted by the European Union, due to come into force after 1 January 2024, whose application was therefore possible in 2023 but not mandatory. These mainly concern:

- amendment to IFRS 16 - Lease liability in a sale and leaseback, published by the EU in November 2023;
- amendments to IAS 1 - Presentation of financial statements: classification of liabilities as current or non-current, and non-current liabilities with covenants, adopted by the EU in December 2023.

The other standards, amendments and interpretations adopted by the IASB, for which the adoption process by the EU is currently underway, are as follows:

- amendment to IFRS 7 - Financial instruments: supplier finance arrangements, adopted by the IASB in May 2023, adoption underway by the EU (applicable for periods beginning on or after 1 January 2024);
- amendment to IAS 21 - Lack of Exchangeability, adopted by the IASB in August 2023, adoption underway by the EU (applicable for periods beginning on or after 1 January 2025).

The Group does not expect these standards, amendments and interpretations to have an impact on the consolidated financial statements.

There are no accounting policies that contradict any IFRS mandatory for periods beginning on or after 1 January 2023, not yet adopted by the European Union, and which would have had a material impact on the financial statements for the year.

2.2. USE OF ESTIMATES

In preparing the financial statements, estimates and assumptions are made that affect amounts recognised under assets and liabilities. These estimates are established, on the basis of the going concern principle, according to information available at that time. These estimates may be revised if the circumstances on which they were based change, or if subsequently modified or supplemented by new information. Actual future results may differ from these estimates.

The main estimates made by management in preparing these financial statements concern:
- assumptions adopted for the measurement of certain provisions, notably for lawsuits, severance retirement benefits and long service awards;
- the measurement of property, plant and equipment and intangible assets;
- the measurement of equity interests in non-consolidated companies;
- capitalization of research and development expenses;
- percentage-of-completion method contracts: Group policy is defined in note 5.1;
- provisions for impairment of current assets and current and non-current provisions;
- evaluating the useful lives of certain property, plant and equipment.

The nature and amount of these estimates are presented in the detailed notes to the corresponding account headings.

The Group is not aware of any major change during the year in the uncertainties underlying such estimates and assumptions, except for high volatility in the discount rate used for calculating employee benefit liabilities (see note 7.12).

2.3. CLIMATE-RELATED RISKS

Through its regional sites, the SNF Group is exposed to significant risks related to climate change. These risks take several forms, since ongoing climate disruptions can have varying levels of impact on:

1. Group operations, in light of the increase in extreme weather events, particularly droughts, torrential rain, floods, storms, landslides and earthquakes;
2. access to financing in the event of non-compliance with the Paris Agreement greenhouse gas reduction targets;
3. the Company's image and reputation among customers and stakeholders, requiring companies to proactively tackle climate change;
4. Group employees whose working conditions could be affected, particularly in areas that will experience extreme heat.
5. The different sites of the Group may be affected by floods or other climate-related risks, which could lead to damage or destruction.

The increased frequency of extreme weather events can have direct (business interruption, supply chain disruption) and indirect consequences on the Group's business.

NOTE 3 - PRINCIPLES OF CONSOLIDATION

3.1. BASIS OF CONSOLIDATION

The Group fully consolidates companies that it controls. Control for consolidation purposes is assessed based on IFRS 10 criteria, which include power over the relevant operations, exposure to variable returns and capacity to use its power to influence the level of those returns. A controlling interest is considered to exist for companies in which SNF Group directly or indirectly holds at least 50% of the voting rights. To determine this control, potential voting rights that are immediately exercisable, including those held by another entity, are taken into account.

Companies in which the Group exercises significant influence are consolidated under the equity method.

Following an analysis of joint arrangements under IFRS 11 criteria, the Group did not identify any joint ventures or joint operations.

Shares in companies that do not meet these criteria are recognised under non-current financial assets. The consolidation of these companies would have a non-material effect on the consolidated financial statements, as they are entities whose potential losses are recognised in the form of impairment. Furthermore, these entities are financed by the Group, which accounts for virtually all their purchases or sales.

• The list of consolidated companies is presented in note 6.2.

• All transactions between consolidated companies are eliminated.

3.2. BUSINESS COMBINATIONS

Business combinations are recognised using the acquisition method. This method involves recognising the assets acquired and liabilities and contingent liabilities assumed at fair value.

The difference between the purchase cost of the investment and the Group share of the companies' assets, liabilities and contingent liabilities at fair value, as identified as at the acquisition date, is recognised under goodwill. Acquisition costs for fully consolidated companies are expensed in the year when incurred. Where the acquisition does not cover 100% of the subsidiary's capital, non-controlling interests are valued at the acquisition date, either at fair value, or at the share of the acquiree's identified net assets.

If the cost of acquisition is less than the fair value of the subsidiary's net assets, identifiable assets and liabilities are subject to an additional analysis and the resulting badwill gain is recognised directly in income.

Recognition of the business combination is finalised within one year of the date on which control is obtained.

3.3. TRANSACTIONS BETWEEN SHAREHOLDERS, ACQUISITIONS AND DISPOSALS OF NON-CONTROLLING INTERESTS AFTER THE ACQUISITION DATE

In accordance with IFRS 10, acquisitions or disposals of non-controlling interests not involving a change in control are considered as transactions with Group shareholders. Under this approach, the difference between the price paid to increase the percentage of ownership in entities already controlled and the additional portion of share capital thus acquired is recorded under Group equity. In the same way, a reduction in the percentage of the Group's interest in an entity remaining under its control is accounted for under Group equity without impacting profit or loss.

3.4. INTERCOMPANY TRANSACTIONS

Transactions involving reciprocal assets/liabilities and income/expenses between fully consolidated companies are eliminated in the consolidated financial statements. These items are eliminated:

- in full if the transaction is between two controlled subsidiaries;
- for the percentage of the equity-accounted interest in the case of earnings between a fully consolidated company and a company consolidated under the equity method.

3.5. TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

General translation principles, excluding hyperinflationary countries:

In most cases, the functional currency of Group companies is their local currency. Transactions in foreign currency are translated by the subsidiary into their functional currency using the prevailing exchange rate as at the transaction date.

The Group applies the closing rate method for the translation of its subsidiaries' financial statements:

• Assets and liabilities in a functional currency other than the euro are translated at the closing rate, while income statement items are translated at the weighted average exchange rate for the period. All shareholders' equity accounts other than net income for the year are translated based on historical exchange rates;

• The resulting exchange difference is posted to other comprehensive income as a movement for the year. Currency differences are presented separately under shareholders' equity.

Goodwill arising from the acquisition of a foreign entity is treated as an asset or liability of said entity and, therefore, is stated in the entity's functional currency and translated at the closing rate.

Currency differences are posted to income when the subsidiary is no longer consolidated due to sale, liquidation, etc.

Application of hyperinflationary accounting:
IAS 29 "Financial reporting in hyperinflationary economies" was applied for the first time to the Group financial statements at 1 January 2022 for Turkey (criteria met in Q1 2022) and Argentina (non-material impact previously).
In accordance with the provisions of IAS 29, since the acquisition non-monetary items in the balance sheet have been revalued using a general price index. In practice, non-monetary items are non-material for both subsidiaries (distribution subsidiaries).
Items in the income statement and statement of comprehensive income are restated by applying changes in the general price index following initial recognition of income and expense items in the financial statements. The difference is presented in the income statement.
The adjusted financial statements (balance sheet and income statement) are translated at the closing rate.

The impact of the first-time application of hyperinflationary accounting, i.e. on 1 January 2022, amounted to €2.6 million and was recorded under reserves.

The cumulative impact of the differences relating to the application of IAS 29 amounted to €4.4 million at 31 December 2023 and is presented as currency translation adjustments in equity.

3.6. TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

Recognition and measurement of transactions in foreign currency are defined by IAS 21 “The effects of changes in foreign exchange rates”. Transactions in currencies other than the euro are recognised at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in these other currencies are translated at the closing rate. Currency gains and losses resulting from translation are recognised in the income statement for the year.

However, for non-monetary assets and liabilities, all changes in fair value, including exchange rate changes, are recognised according to the principles that apply to the corresponding categories of financial assets to which they belong.

The Group does not practice any currency hedging.

NOTE 4 - ACCOUNTING PRINCIPLES

4.1. INTANGIBLE ASSETS

4.1.1. DEVELOPMENT COSTS

In accordance with IAS 38 "Intangible assets", research costs are recognised as an expense, while development costs must be capitalised if they meet the following criteria:
• Technical feasibility for the entity to complete the intangible asset so that it will be available for use or sale
• Entity intends to complete the development project for use or sale
• Ability of the entity to use or sell the asset
• It is likely that the future economic benefits generated by the intangible asset will accrue to the entity
• The entity possesses adequate technical, financial and other resources to complete the development and to use or sell the asset
• The cost of this intangible asset can be accurately measured

Capitalised expenditure includes staff costs, cost of materials and services used and directly attributable to the project in question, as well as all expenses directly attributable to a development project that meet the conditions for capitalisation. These assets are amortised from the date on which the products are first marketed or the industrial processes concerned are first used, over the estimated duration of the economic benefits expected from the project.
These assets are amortised over a period of four years. This period corresponds to the average lifespan for a commercial reference based on the Group's experience in this area.
These assets are amortised starting from the release date for production of a new commercial reference.

Development costs that do not meet the criteria defined by this standard are expensed in the period in which they are incurred.

Gross development costs totalled €41.8 million at 31 December 2023, while an amount of €4.2 million was recognised as intangible assets in 2023.

4.1.2. GOODWILL AND BUSINESS COMBINATIONS

Positive goodwill from consolidated companies is recognised on the balance sheet under "Goodwill". As at the date when control is obtained, the excess of the purchase price over the net fair value of the acquiree's identifiable assets and liabilities is recognised under goodwill. The acquisition cost (or consideration transferred) is measured at the fair value of assets transferred, equity instruments issued or liabilities incurred or assumed at the acquisition date plus or minus any adjustments to the acquisition cost.

In accordance with IFRS 3 "Business combinations", goodwill is not amortised. On the acquisition date, this goodwill is allocated to an identifiable cash-generating unit (CGU). Goodwill is tested for impairment at least once a year and whenever any evidence of impairment is identified. Procedures for conducting impairment tests and their recognition are given in note 4.3 "Impairment of fixed assets".

Goodwill is recorded in the balance sheet after deducting impairment losses that may be recognised. Impairment charges are recognised under "Recurring operating income" or "Non-recurring operating income and expenses" depending on the event underlying the impairment.

4.1.3. OTHER INTANGIBLE ASSETS

Other intangible assets are held in the balance sheet at cost less any cumulative amortisation and impairment losses. This item primarily concerns know-how and patents acquired in connection with the Group's activities and development, as well as software applications.

When they have finite useful lives, these assets are amortised on a straight-line basis over the periods corresponding to their estimated useful lives. The amortisation methods and useful lives are reviewed at least once a year. The estimated useful lives are as follows:

• Know-how for a period of 5 to 10 years according to the expected or foreseeable duration of the project
• Software over a period of 5 years

Assets with indefinite useful lives are not amortised, and are subject to an impairment test once a year (see note 4.3).

Subsequent expenditure on intangible assets is capitalised only if it is probable that such expenditure will enable the asset in question to generate future economic benefits in excess of its originally assessed standard of performance. Other expenditure is recognised as an expense when incurred.

As stated in note 2.1, the application since 2022 of the IFRS IC decision on accounting for configuration and customisation costs in SaaS arrangements had no material impact on the Group financial statements.

4.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost plus any incidental acquisition expenses. Depreciation is calculated on a straight-line basis over the asset's useful life.

Major items of property, plant and equipment that are replaced at regular intervals, used for different purposes or that generate economic benefits over different periods and require the application of specific depreciation rates or methods, are recognised separately upon initial recognition and when replaced.

The depreciation periods applied are as follows:

• Buildings: 15 to 25 years
• Installations and improvements: 10 years
• Plant and machinery: 15 years
• Other PP&E: 5 to 8 years

Component accounting for major repairs is not applicable to the Group. Furthermore, the Company has not capitalised any dismantling or decontaminating costs that may result from an obligation to restore the site.
Borrowing costs attributable to the financing of an asset and incurred during the construction period are included in the value of the asset, representing qualifying assets within the meaning of IAS 23 "Borrowing costs".

The Group has chosen not to apply the revaluation option offered under IAS 16. As a result, no property, plant and equipment has been revalued.

Grants financing part or the full cost of an item of property, plant or equipment are recognised as deferred income on the balance sheet and as income on the income statement.

RIGHT-OF-USE ASSETS (IFRS 16)

Leases confer the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases that meet this definition are recognised according to the terms defined below, except in the case of exemptions provided for by the standard (contract term of less than 12 months and/or low-value underlying assets) and leases not restated due to their non-material impact.

At the lease commencement date, the Group recognises a right-of-use asset and a financial liability in respect of a lease liability. The assets and liabilities are presented on a separate line in the balance sheet.

Right-of-use assets relating to leases are measured as follows: cumulative depreciation and impairment are deducted from the cost, which is adjusted to take into account any revaluations of the lease liability. No impairment or revaluation of the lease liability was recognised in 2023, as in 2022.

At the lease commencement date, the Group recognises a right-of-use asset and a financial liability in respect of a lease liability. The assets and liabilities are presented on a separate line in the balance sheet.

The lease liability is measured at the present value of outstanding lease payments payable over the term of the lease. Lease payments are discounted at the interest rate implicit in the contract, for finance leases, and at the incremental borrowing rate for other contracts, determined according to the term of the contract.

The term of a lease corresponds to the non-cancellable period, plus any period covered by an extension option that the Group is reasonably certain to exercise, and any period covered by a termination option that the Group is reasonably certain not to exercise.

There is no early termination clause in the various leases, nor any clause liable to terminate the contract leading to anything other than non-material penalties, in the event of non-renewal of the lease at the end of the non-cancellable period. Similarly, there are no economic incentives liable to induce one of the parties not to terminate the lease.

Right-of-use assets are depreciated over their estimated useful life for finance leases and over the lease term for other leases.

The Group has not identified any situations in which it is a lessor, nor any leaseback transactions.

The Group has not identified any leases that should have been subject to a specific impairment test.

4.3. IMPAIRMENT OF FIXED ASSETS

In accordance with IAS 36 “Impairment of assets”, the net carrying value of property, plant and equipment and intangible assets is tested whenever there is evidence of impairment, and reviewed at the end of each period. This test is performed at least once a year for fixed assets with an indefinite useful life including goodwill, and for fixed assets in progress.

Depreciated and amortised assets are subject to tests for impairment when, due to specific events or circumstances, there is evidence of impairment.

For the performance of these tests, fixed assets are grouped into cash-generating units (CGU). CGUs are homogeneous groups of assets whose continued use generates cash inflows largely independent of the cash inflows generated by other asset groups.

In practice, the cash-generating units correspond to a continental geographical region. Fixed assets attached to these CGUs primarily include equipment and other industrial installations (mainly buildings and machinery). Sales subsidiaries are attached to the CGU from which they primarily source their products, as they are the commercial outlets for the production sites and cannot therefore be disassociated from them.

The CGUs defined by the Group are as follows: Americas CGU, Asia CGU, Europe CGU and Other CGU. No changes were made during the periods presented.

The impairment charge recorded amounts to the excess of the carrying amount of the CGU over its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

In practice, impairment tests are carried out in relation to the value in use of these CGUs, calculated with reference to the present value of future net cash flows.

Impairment thus calculated is first offset against goodwill, then against the CGU's other assets, up to their recoverable value.

Impairment charges for a CGU or an indefinite life asset are recorded under "Non-recurring income and expenses" or "Other operating income and expenses", depending on the origin of the impairment.

Goodwill impairment is only written back to income if the related entity is deconsolidated due to sale or liquidation, except for equity-accounted companies.

For non-financial assets (other than goodwill) having incurred impairment, the additional impairment charge or the reversal, as the case may be, is reassessed at the closing date of each year.

4.4. FINANCIAL INSTRUMENTS

Transaction costs directly attributable to the acquisition or issuance of a financial asset or liability are included on initial valuation of all financial assets and liabilities. Acquisition costs include direct external transaction costs. These transaction costs are only attributed to financial assets and liabilities not measured at fair value through profit or loss. Transaction costs are posted to the income statement in accordance with IFRS 9.

4.4.1. FINANCIAL ASSETS

Financial assets include non-current financial assets (mainly non-consolidated investments), current assets representing operating receivables, debt securities or investment securities.

Financial assets are stated according to their classification under IFRS 9, depending on how they are managed, as presented below:

- financial assets stated at fair value through profit or loss (FVTPL): the analysis results in non-consolidated investments and cash investments being assigned to this item;

- financial assets measured at fair value through other comprehensive income (FVOCI) that may be reclassified to profit or loss: no financial asset falls under this definition for the periods presented;

- financial assets measured at fair value through other comprehensive income (FVOCI) that may not be reclassified to profit or loss (irrevocable option for non-consolidated investments that meet the standard's criteria);

- non-current financial assets (deposits and guarantees, material loans, etc.), trade receivables and current financial assets other than cash and cash equivalents are assigned to this item.

Transaction costs are recognised in the value of the asset, except for financial assets and liabilities recognised at fair value through profit or loss.

There are no other material operating financial assets (e.g. trade receivables) with a significant financing component.
The standard provides that, if an equity investment is not held for trading, an entity can make an irrevocable election to recognise changes in the fair value in other comprehensive income, with no possibility of recycling through profit or loss.

4.4.2. FINANCIAL LIABILITIES

Financial liabilities include borrowings, other financing, bank overdrafts and operating payables.

Borrowings are initially recognised at the amount received net of borrowing costs. Subsequently, borrowings are measured at the payable balance under the effective interest method. There are no financial liabilities recognised at fair value.

Other operating financial liabilities (trade payables, etc.) are measured at amortised cost. They contain no financing component.

4.4.3. HEDGING INSTRUMENTS

The Group has chosen not to use hedging instruments such as futures or options to protect against interest rate changes or currency fluctuations.

4.5. INVENTORIES AND WORK IN PROGRESS

Raw materials and traded goods are carried at actual purchase cost under the FIFO method.

Work in progress and finished goods are measured at production cost, including utilities and supplies and the share of direct and indirect manufacturing costs, restated for under-capacity usage, if applicable.

A provision for impairment is recognised where are there indications of impairment, such as slow turnover, or where the gross value determined under the conditions set out above is greater than the net realisable value, in which case an impairment charge is recorded for the difference.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale (mainly selling expenses).
Borrowing costs are not included in the measurement of inventory because of the short duration of the manufacturing cycle.

4.6. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Trade receivables and other current assets largely consist of amounts owed by customers or loans due in less than one year that represent current financial assets. Such assets are recognised at fair value which, in practice, is close to their face value. They are discounted when they contain a financing component (due after one year).
In practice, there was no financing component in the periods presented. A provision is recorded when the recoverable amount is lower than the book value. The book value takes into account indications of impairment, based on criteria such as late payments, financial difficulties or disputes, or information obtained from the customer in the absence of indications.

The Group has not identified any other assets linked to contracts with customers.
This item also includes employee and tax-related receivables, which are measured at face value.

4.7. FACTORING

In light of the terms and conditions accorded to the Group following the revamped non-recourse factoring agreement dated 30 December 2011 with FACTO CIC and with Wells Fargo in the United States in early 2016, the Company records the cash received from the sale of the receivables under "Cash and cash equivalents" and security deposits under "Other current receivables", while assigned receivables which amounted to €71 million (€46 million in France, €22 million in the United States and €3.9 million in the United Kingdom), compared to €75 million at 31 December 2022, are derecognised, mainly for the following reasons:

- The rights to cash flows from the assets assigned do not expire on the date of assignment;
- The rights to receive cash flows from the assets are transferred to the assignee (factor);
- The risks and rewards are substantially transferred to the factor. It is expressly stipulated under the terms of the contract that the factor shall not have recourse against SNF, in the event of the default of the assigned debtor for receivables guaranteed, and that late payment penalties are transferred to the factor. Based on historical statistics of contracting companies, the risk of default and late payment is nevertheless very low for all receivables assigned;
- Control of the asset is not retained by the Group.

Accounting for this means of financing is analysed on the basis of the decision tree provided under IFRS 9.

4.8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank balances, short-term investments in money markets as well as amounts made available to us by the factor but unused.
Such assets are recognised and carried at fair value based on the last known price for the year. Changes in fair value are taken to income.

Cash equivalents are liquid investments readily convertible into cash and subject to an insignificant risk of changes in value.

4.9. INCOME TAX

Income tax expense and income include current tax expense/(income) and deferred tax expense/(income).

Current tax is the estimated tax due based on taxable income for the period. It also includes adjustments to amounts of current taxes of prior periods.
Deferred tax is calculated per entity under the balance sheet method. Temporary differences between book and tax values of assets and liabilities result in deferred tax in accordance with the liability method based on year-end tax rates.

Deferred tax assets resulting from temporary differences or unused tax losses are only offset against deferred liabilities with the same maturity, unless it is highly probable that they will be offset against future taxable income within the foreseeable future - generally considered to be from one to five years, or if the Group has decided to set up an internal tax accounting arrangement.

In compliance with IAS 12 “Income taxes”, deferred tax assets and liabilities are not discounted.

For balance sheet presentation purposes, deferred tax assets and liabilities are offset at the level of each tax entity.

The regional economic contribution tax or CET (*contribution économique territoriale*) is comprised of two different levies - one assessed on business property (*contribution foncière des entreprises* or CFE) and the other on added value (*cotisation sur la valeur ajoutée des entreprises* or CVAE). This latter contribution is assessed on the basis of added value generated by the Company over the year. The Group has decided that CVAE meets the definition of income tax as defined by IAS 12.

4.10. PROVISIONS

In compliance with IAS 37 “Provisions, contingent liabilities and contingent assets”, provisions are recorded only if all of the following criteria are met:

• The Group has a present obligation arising from a past event;
• It is probable that an outflow of resources entailing economic benefits will be required to settle the obligation; and
• A reliable estimate can be made of the amount of the obligation.

Provisions for contingencies and charges are recorded in compliance with the above three principles in the event of tax litigation, contingencies for non-consolidated subsidiaries or any other event meeting the definition of a liability. A review of all litigation was undertaken at the end of the reporting period by management and outside counsel, when necessary, to determine the amounts required to cover the estimated risk involved.

Information on contingent assets and liabilities is provided in the notes where necessary and when the impact is material.

Restoration of sites

Provisions are recorded for future expenditure for the restoration of sites resulting from a legal or constructive obligation on the basis of a reasonable estimate of their fair value in the period in which the obligation arises.

As a reverse entry for this provision, the costs of restoring sites are capitalised, included in the value of the underlying asset and amortised over its useful life.

The impact of the passage of time on the provision for restoring sites is measured by applying a discount effect to the provision amount.

For the fiscal years presented, Group management has not identified any significant future expenditure for the restoration of sites, whether involving environmental clean-up or dismantling, as defined above, calling for the recognition of a provision and an underlying asset.

4.11. EMPLOYEE BENEFITS

4.11.1. RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

In some countries, the Group has an obligation to pay retiring employees either retirement severance benefits or pension payments in accordance with formal retirement plans. The Group also has an obligation to make contributions to pension funds in countries where its subsidiaries operate. The accounting treatment of these retirement liabilities varies according to the applicable provisions of these plans.

• Defined contribution plans

Under defined contribution plans, payments are made to a third-party organisation that releases the employer from any subsequent obligation, while the organisation assumes responsibility for paying the pension to the employee. For this reason, contributions are recognised as expenses when they fall due.

• Defined benefit plans

In accordance with Revised IAS 19 “Employee benefits”, the corresponding liabilities are calculated annually by independent actuaries under the projected unit credit method, taking into account actuarial assumptions that are updated for each valuation. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to determine the final obligation. The final obligation is then discounted.

For post-employment plans that meet three criteria (rights defined according to length of service, existence of an asset limit, presence in the company at the date of retirement), the obligation is spread over the years of service that confer benefit entitlement. In other cases, the obligation is spread over the period of service.

Each country defines the criteria to be used to perform the actuarial calculations. These include primarily the following variables: expected staff pay increases, life expectancy, staff turnover and the discount rate.

The discount rate is calculated with reference to government bonds having a maturity close to that of the liabilities.

Actuarial gains and losses resulting from changes in assumptions or differences in results for the plan's investments or liabilities are recognised immediately under other comprehensive income and are not written back to income.
Gains and losses from a change in plan are immediately recognised under income.
In practice, the plan changed following the pension reform adopted in April 2023, with an effective date of 1 September 2023, leading to an increase in the retirement age.

4.11.2. OTHER LONG-TERM BENEFITS

Some subsidiaries pay bonuses when giving length-of-service awards. The method used for calculating these liabilities is the same as that used for defined benefit plans, the only difference being that the benefits are paid at predetermined dates. Actuarial gains and losses arising from the plan's liabilities (such as the impact of the 2023 pension reform) and changes are immediately recognised in income.

NOTE 5 - PRESENTATION OF THE INCOME STATEMENT

5.1. REVENUE

Revenue represents the value, excluding tax, of goods and services sold by consolidated companies during their normal operating activities after eliminating intercompany sales.

Revenue is recognised upon the transfer of control related to the ownership of the goods.

Revenue is recognised at the fair value of the consideration received or receivable, i.e. after deducting amounts for trade discounts, rebates and related items.

The Group recognises revenue and costs relating to long-term contracts according to the cost-based percentage-of-completion method:

- The percentage of completion applicable to the contract is determined according to the ratio between costs incurred to date and expected costs to complete.
- The margin on completion of the construction contract is estimated on the basis of analyses of costs and revenue on completion, which are periodically revised at regular intervals over the duration of the contracts.

Contract costs on completion include:

- Materials purchased, outsourced studies, contract costs and other services related directly to the contract;
- Costs for the time of personnel directly assigned to the contract, including social security charges.

The costs of percentage-of-completion method contracts do not include financial expenses.

Provisions are recorded for the full amount of any probable losses on the contract from the moment they are identified.

Revenue from a contract consists of costs incurred and the margin recognised on a cost-based percentage-of-completion basis calculated for the contract according to the aforementioned method.

Revenue recognition is based on a number of estimates determined by monitoring the progress of the work and taking into account possibilities for unforeseen events in light of past experience. Consequently, adjustments may be made to these initial estimates over the term of the contract that may have a material effect on future results.

5.2. OPERATING EXPENSES

Operating expenses include the cost of sales, research and development expenditure, selling and administrative expenses.

5.3. OTHER OPERATING INCOME AND EXPENSES

- Recurring

“Other recurring operating income and expenses” includes capital gains and losses from the disposal of assets, where they do not meet the definition of non-recurring income and expenses, and are not attributable to sold or discontinued operations.

- Non-recurring

“Non-recurring operating income and expenses” consists of material items that are unusual, abnormal or infrequent in their occurrence. These are detailed in note 8.5 “Non-recurring operating income and expenses”.

5.4. OPERATING PROFIT

Operating profit includes all expenses and income not resulting from financing activities, associates, discontinued operations and income tax.

5.5. INTEREST EXPENSE

Net interest expense equals gross interest expense, consisting of interest on borrowings under the effective interest method, as well as amortisation of debt issuance expenses (this results from the EIR (effective interest rate) method: there is no amortisation of “debt issuance costs” under IFRS), less income on cash investments.

5.6. OTHER FINANCIAL INCOME AND EXPENSES

“Other financial income and expenses” include all other income and expenses not related to net borrowings (e.g. costs of banking services), income and expenses related to non-consolidated investments (e.g. changes in fair value, gain or loss on disposal, etc.).

5.7. EARNINGS PER SHARE

Basic earnings per share is calculated using net income of the period attributable to the Group divided by the weighted average number of shares outstanding during the period.
Diluted earnings per share is identical to basic earnings per share as the Group does not have any equity instruments, such as stock options, or discontinued operations.

NOTE 6 - CONSOLIDATION SCOPE

6.1. CHANGES IN GROUP STRUCTURE

In 2023, the consolidation scope changed in South America with the acquisition of Sabinur (Argentina) and the buyout of all minority interests in BM Allied (Mexico), in North America with the acquisition of two distributors, and in Asia with the acquisition of a majority stake.

In 2022, the scope of consolidation changed with the consolidation of SNF Argentina S.R.L., a commercial entity that exceeded the consolidation threshold, and the acquisition of an entity in the Asia region.

6.2. CONSOLIDATED COMPANIES

The main companies consolidated at 31 December 2023 are as follows:

Entities	Country	Ownership interest (%)	Consolidation method
SNF Group	France	Parent company	
SNF SA	France	100%	Full consolidation
SNF Coagulants	France	100%	Full consolidation
Flocryl SA	France	100%	Full consolidation
Chemquest	South Africa	100%	Full consolidation
Polychemie GmbH	Germany	100%	Full consolidation
Reiflock	Germany & Austria	100%	Full consolidation
SNF Saudi Arabia	Saudi Arabia	75%	Full consolidation
SNF Argentina S.R.L.	Argentina	100%	Full consolidation
SABINUR	Argentina	100%	Full consolidation
SNF Australia (PTY) Ltd	Australia	100%	Full consolidation
Biomontan GmbH	Austria	50%	Full consolidation
SNF Water SPRL	Belgium	100%	Full consolidation
SNF do Brasil	Brazil	100%	Full consolidation
Flopam do Brazil Quimica Ltda	Brazil	100%	Full consolidation
SNF Canada Ltd	Canada	100%	Full consolidation
SNF Chile S.A.	Chile	100%	Full consolidation
Taixing Sen'ai Import and Export Co., Ltd	China	100%	Full consolidation
SNF (Shenyang) Petroleum Equipment Co., Ltd	China	100%	Full consolidation
SNF (Rudong) Chemicals Co	China	100%	Full consolidation
SNF Korea	South Korea	100%	Full consolidation
Sooyang Co., Ltd	South Korea	90%	Full consolidation
SNF Floerger Iberica SLU	Spain	100%	Full consolidation
SNF Holding Company	USA	100%	Full consolidation
SNF Inc.	USA	100%	Full consolidation

Flomin Inc.	USA	100%	Full consolidation
FloPam Inc.	USA	100%	Full consolidation
Polydyne Inc.	USA	100%	Full consolidation
Chemtall Incorporated	USA	100%	Full consolidation
Flocryl LLC	USA	100%	Full consolidation
Polychemie Inc.	USA	100%	Full consolidation
Floquip Engineering Company Inc.	USA	100%	Full consolidation
Global Environmental Solutions, Inc.	USA	100%	Full consolidation
SNF Oil and Gas	UK	100%	Full consolidation
SNF (UK) Limited	UK	100%	Full consolidation
Allied Water Solutions CEE	Hungary	100%	Full consolidation
SNF India	India	100%	Full consolidation
SNF Flopam India	India	100%	Full consolidation
PT. SNF Polymers Indonesia	Indonesia	100%	Full consolidation
SNF Italia S.p.A.	Italy	100%	Full consolidation
SNF Japan	Japan	90%	Full consolidation
Tomooka KK Ltd	Japan	65%	Full consolidation
SNF Mexico	Mexico	100%	Full consolidation
BM Allied Chemicals	Mexico	100%	Full consolidation
Petroleum Polymer Company LLC	Sultanate of Oman	99%	Full consolidation
Korona JV	Poland	100%	Full consolidation
SNF Vostok Ltd	Russia	100%	Full consolidation
SNF Flopam LLC	Russia	100%	Full consolidation
Flonex AG	Switzerland	100%	Full consolidation
SNF Turkey	Turkey	100%	Full consolidation

6.3. INVESTMENTS IN ASSOCIATES

Investments in associates mainly involve manufacturing and commercial companies.

In € thousands	2023	2022
Gross amount		
Opening balance	**13,629**	**11,178**
Share in net income/(loss)	383	1,366
Changes in consolidation scope	(1,482)	-
First-time consolidation	(6,038)	-
Other changes	(1,074)	520
Currency translation adjustments	60	565
Closing balance	**5,477**	**13,629**

The contribution of associates to the SNF Group financial statements as determined according to total assets (current and non-current), total liabilities (current and non-current), revenue and net income is non-material. Goodwill exists for certain associates, which has been tested in consequence according to the method described in note 7.1.

Direct and indirect holdings in these associates in which SNF Group exercises a significant influence range between 25% and 50%.

6.4. NON-CONSOLIDATED COMPANIES

As mentioned in note 3.1 “Basis of consolidation”, certain companies controlled by the Group considered non-material in relation to the size of the Group have not been consolidated (revenue less than €18 million and total assets less than €14 million).

6.4.1. DETAILS OF NON-CONSOLIDATED COMPANIES AT 31 DECEMBER 2023

Equity investments in companies not listed on an active market are measured using internal valuation techniques based on observable inputs (prices or price-derived data).
Amounts recognised under financial assets are presented below:

In € thousands	Ownership interest (%)	31/12/2023	31/12/2022
		Fair value	
SNF Portugal	100.00%	9,411	6,779
PT SNF Florindo	98.82%	7,396	7,077
Hymo Corporation	14.20%	6,609	6,900
SNF Netherlands	100.00%	5,203	6,323
PT. SNF Specialties Indonesia	100.00%	4,983	4,106
SNF Colombia	100.00%	3,655	689
KF-SNF Co., Ltd	100.00%	2,280	1,434
SNF Nordic AB	100.00%	1,942	1,927
Floerger (SEA) Singapore PTE Ltd	100.00%	1,935	1,788
HTS Bio SA	100.00%	1,926	2,055
FMI Process SA	100.00%	1,614	-
SNF Oman LLC	70.00%	1,499	1,510
SNF Chemical (Thailand) Co., Ltd	49.00%	1,483	1,446
SNF Floerger Philippines, Inc.	100.00%	1,190	699
EP MECA	20.00%	900	873
Sokoflok	99.00%	1,746	1,536
Beijing Zhijie Flocculant Co., Ltd (BZF)	100.00%	634	671
SNF Chad	100.00%	526	398
Other		6,057	10,217
Total		**60,987**	**56,426**

6.4.2. CHANGES IN NON-CONSOLIDATED COMPANIES IN FISCAL 2023

In € thousands	2023	2022
Gross amount		
Opening balance	**56,426**	**50,613**
Acquisitions/increases	5,759	10,713
Disposals	-	-
Changes in consolidation scope	(1,320)	(5,554)
Other changes	-	564
Currency translation adjustments	122	90
Closing balance	**60,987**	**56,426**

7.1. INTANGIBLE ASSETS

In accordance with IAS 36 and IAS 38, indefinite life fixed assets, namely goodwill, are not amortised but rather subject to annual impairment tests. Details on procedures for impairment tests are provided in the note below.

Other finite life intangible assets are amortised on a straight-line basis over their useful lives. Allowances for amortisation are recognised under the operating margin.

2023

In € thousands	Goodwill	Devel-opment costs	Patents	Other intan-gible assets	Adv & prepay	Total
Gross amount						
Opening balance	92,157	40,142	67,021	88,017	17,681	**305,016**
Changes in consolidation scope	10,001	(2,578)	1,497	16,841	-	**25,761**
Acquisitions/increases	(748)	4,220	2,261	11,903	4,661	**22,297**
Disposals/decreases	(17)	-	-	(35)	(2,039)	**(2,091)**
Other changes	(462)			(4,610)	63	**(5,010)**
Currency translation adjustments	(1,939)	-	(1,442)	(1,912)	-	**(5,293)**
Closing balance	**98,991**	**41,784**	**69,336**	**110,203**	**20,365**	**340,679**
Amortisation and impairment						
Opening balance		(31,531)	(42,295)	(40,202)		**(114,028)**
Changes in consolidation scope		1,910	526	(314)		**2,123**
Allowances		(3,842)	(2,639)	(7,993)		**(14,473)**
Impairment charges						**-**
Disposals		-	-	28		**28**
Other changes		-	-	675		**675**
Currency translation adjustments		-	282	336		**618**
Closing balance	**-**	**(33,462)**	**(44,125)**	**(47,469)**	**-**	**(125,057)**
Opening net value	**92,157**	**8,611**	**24,726**	**47,815**	**17,681**	**190,989**
Closing net value	**98,991**	**8,321**	**25,211**	**62,734**	**20,365**	**215,622**

The change in “Advances and prepayments” comes from an increase in French intangible assets in progress (capitalised development costs) compared with the previous year.

Intangible assets in progress at 31 December 2023 amounted to €20 million, compared to €17 million in 2022. Commissioning will mostly take place in 2024.

Goodwill breaks down by geographical region as follows:

In € thousands	31/12/2023	31/12/2022
Europe	16,071	15,952
Americas	73,456	61,786
Asia	7,768	12,697
Other	1,696	1,722
Total	**98,991**	**92,157**

Data for 2022:

2022

In € thousands	Good-will	Devel-opment costs	Patents	Other intan-gible assets	Adv & prepay	Total
Gross amount						
Opening balance	79,075	35,910	75,377	89,755	15,401	**295,518**
Changes in consolidation scope	9,534	-	-	253	-	**9,787**
Acquisitions/increases	(151)	153	1,909	8,920	8,210	**19,041**
Disposals/decreases	-	-	(10,978)	(11,205)	(1,428)	**(23,610)**
Other changes	-	4,079	424	(3,813)	(4,503)	**(3,813)**
Currency translation adjustments	3,699	-	289	4,107	-	**8,094**
Closing balance	**92,157**	**40,142**	**67,021**	**88,017**	**17,681**	**305,016**
Amortisation and impairment						
Opening balance		(26,715)	(50,076)	(48,763)		**(125,554)**
Changes in consolidation scope		-	-	(40)		**(40)**
Allowances		(4,816)	(2,539)	(7,408)		**(14,763)**
Impairment charges						**-**
Disposals		-	10,978	11,118		**22,096**
Other changes		-	(0)	6,343		**6,343**
Currency translation adjustments		-	(658)	(1,452)		**(2,110)**
Closing balance	**-**	**(31,531)**	**(42,295)**	**(40,202)**	**-**	**(114,028)**
Opening net value	**79,075**	**9,195**	**25,301**	**40,992**	**15,401**	**169,964**
Closing net value	**92,157**	**8,611**	**24,726**	**47,815**	**17,681**	**190,989**

The change in “Advances and prepayments” comes from an increase in French intangible assets in progress (capitalised development costs and acquisition of know-how) compared with the previous year.

Goodwill is tested for impairment at the end of each period on the basis of five-year plans approved by the Board of Directors. These tests are conducted using the discounted cash flow (DCF) method applied at the level of the cash-generating units (CGU) as described in note 4.3.

Goodwill tested amounted to €16.1 million for the Europe region and €7.8 million for the Asia region. Otherwise, goodwill amounted to €73.5 million for the Americas CGU and €1.7 million for Rest of the World.

The pre-tax discount rates used for these calculations correspond to the weighted average cost of capital (WACC) and are applied to post-tax cash flows. Their use results in the calculation of recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows, as required by IAS 36. The assumptions used for revenue projections and terminal values for the Americas, Asia and Europe CGUs are in line with the business plans drawn up and take into account, in particular, the strong worldwide growth in demand for water and sludge treatment products.

No impairment was recognised following tests carried out on CGU goodwill in 2023 and 2022. These tests are performed every year in the fourth quarter.

It should be noted that there is no goodwill in the Russia region.

The following discount rates and perpetuity growth rates were applied to fiscal years 2023 and 2022:

	31/12/2023		31/12/2022	
In € thousands	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
Europe	9.30%	1.50%	9.50%	1.50%
Americas	8.40%	2.50%	8.60%	2.50%
Asia	8.90%	2.50%	9.30%	2.50%
Other	12.80%	1.00%	11.70%	1.00%

Sensitivity testing performed at 31 December 2023, in the case of a reasonable variation (+/-0.5%) in the underlying discount rate and perpetuity growth rate assumptions, has confirmed the net book values of the different CGUs. We did not identify any reasonably likely scenarios that could necessitate a material impairment charge against goodwill.

Sensitivity testing on the main assumptions showed an increase of the Goodwill of €0.9 million in the case of a 0.50% decrease and a decrease of €1 million in the case of a 0.50% increase.

7.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at 31 December 2023:

2023

In € thousands	Land	Bldgs	Plant and equip-ment	Other PP&E	Fixed as-sets in pro-gress	Adv & pre-pay	Right-of-use assets	Total
Gross amount								
Opening balance	109,700	562,530	2,658,703	147,644	580,221	8,359	106,945	4,174,102
Changes in consoli-dation scope	1,890	874	5,693	5,146	199	-	2,846	16,648
Acquisitions/in-creases	20,989	28,904	248,328	9,344	144,572	341	24,869	477,347
Disposals	(30)	(469)	(33,025)	(1,104)	(2,319)		(9,655)	(46,601)
Other changes	-	454	3,822	506	144	-	2,318	7,245
Currency transla-tion adjustments	(4,154)	(16,779)	(90,622)	(3,002)	(17,319)	(381)	(3,028)	(135,285)
Closing balance	**128,396**	**575,515**	**2,792,899**	**158,535**	**705,499**	**8,319**	**124,295**	**4,493,457**
Depreciation and impairment								
Opening balance	-	(228,684)	(1,360,067)	(85,808)	(30,532)		(53,645)	(1,758,736)
Changes in consoli-dation scope	-	396	(3,306)	(3,293)	-		(782)	(6,985)
Currency transla-tion adjustments	-	(22,725)	(209,554)	(11,295)	(20,672)		(18,081)	(282,327)
Allowances								-
Other changes	-	95	31,066	788	-		9,647	41,595
Impairment charges	-	(50)	874	(170)	6,422		389	7,465
Derecognition	-	6,848	46,311	1,811	6,541		1,687	63,198
Closing balance	**-**	**(244,119)**	**(1,494,677)**	**(97,968)**	**(38,241)**	**-**	**(60,785)**	**(1,935,791)**
Opening net value	**109,700**	**333,846**	**1,298,636**	**61,836**	**549,689**	**8,359**	**53,300**	**2,415,365**
Closing net value	**128,396**	**331,396**	**1,298,223**	**60,567**	**667,257**	**8,319**	**63,510**	**2,557,667**

Capital expenditure on property, plant and equipment in 2023 amounted to €477 million, mainly including the following items:

- France: process improvement and increased capacity (€192 million);
- USA: process improvement and increased capacity (€171 million);
- Indonesia: increased capacity (€20 million);
- South Korea: increased capacity (€19 million).
- China: increased capacity (€15 million);
- India: increased capacity (€11 million);
- UK: increased capacity (€9 million);
- Argentina: increased capacity (€4 million);
- Brazil: increased capacity (€3 million).

Interest expense capitalised in accordance with IAS 23 amounted to €14 million for fiscal year 2023.

An €18.9 million impairment of the assets of a Russian entity was recorded in 2023.

Property, plant and equipment at 31 December 2022:

2022

In € thousands	Land	Bldgs	Plant and equipment	Other PP&E	Fixed assets in progress	Adv & prepay	Right-of-use assets	Total
Gross amount								
Opening balance	102,150	491,415	2,285,242	127,299	617,497	10,180	87,776	3,721,560
Changes in consolidation scope	1,249	7,146	12,765	408	-	-	-	21,568
Acquisitions/increases	4,877	9,786	32,412	6,340	348,208	193	21,436	423,252
Disposals	(577)	(544)	(59,042)	(1,264)	(5,274)	(2,062)	(5,197)	(73,960)
Other changes	-	44,734	331,934	11,078	(389,313)	(5)	580	(992)
Currency translation adjustments	2,001	9,993	55,392	3,783	9,103	53	2,350	82,675
Closing balance	**109,700**	**562,530**	**2,658,703**	**147,644**	**580,221**	**8,359**	**106,945**	**4,174,102**
Depreciation and impairment								
Opening balance	-	(202,169)	(1,170,528)	(74,089)	(1,555)		(39,061)	(1,487,401)
Changes in consolidation scope	-	(623)	(1,970)	(175)	-		-	(2,769)
Allowances	-	(21,617)	(194,119)	(10,613)	(30,404)		(17,559)	(274,311)
Impairment charges								-
Disposals	-	168	35,598	1,073	-		4,988	41,827
Other changes	-	-	178	100	-		(526)	(248)
Currency translation adjustments	-	(4,444)	(29,226)	(2,105)	1,427		(1,487)	(35,835)
Closing balance	**-**	**(228,684)**	**(1,360,067)**	**(85,808)**	**(30,532)**	**-**	**(53,645)**	**(1,758,736)**
Opening net value	**102,150**	**289,246**	**1,114,714**	**53,210**	**615,942**	**10,180**	**48,716**	**2,234,158**
Closing net value	**109,700**	**333,846**	**1,298,636**	**61,836**	**549,689**	**8,359**	**53,300**	**2,415,365**

7.3. EQUITY INTERESTS

Non-current financial assets break down as follows:

2023

In € thousands	Non-consolidated investments	Other long-term investment securities	Rel. receiv.	Loans	Deposits and guarantees	Other	Total
Gross amount							
Opening balance	56,426	141	7,974	3,355	3,710	543	72,149
Changes in consolidation scope	(1,303)	-	749	(5)	(32)	(0)	(591)
Acquisitions/increases	5,759	1	4,942	4,686	464	(181)	15,673
Disposals/repayments	(17)	-	(985)	(838)	(389)	(11)	(2,239)
Other changes	-	-	-	(98)	-	2,482	2,383
Currency translation adjustments	122	(13)	0	(250)	(174)	(85)	(400)
Closing balance	**60,987**	**129**	**12,680**	**6,851**	**3,579**	**2,748**	**86,975**
Provisions							
Opening balance	-	-	(2,233)	(33)	-	(80)	(2,345)
Changes in consolidation scope			-	-	-	-	-
Currency translation adjustments			-	-	-	5	5
(Allowances)/reversals			-	-	-	-	-
Impairment charges							-
Derecognition/other changes			78	-	-	-	78
Closing balance	**-**	**-**	**(2,155)**	**(33)**	**-**	**(75)**	**(2,262)**
Opening net value	**56,426**	**141**	**5,742**	**3,323**	**3,710**	**463**	**69,804**
Closing net value	**60,987**	**129**	**10,525**	**6,818**	**3,579**	**2,673**	**84,713**

Non-current financial assets consist mainly of equity interests in non-consolidated companies (€61 million) as described in note 6.4 “Non-consolidated companies”.

2022

In € thousands	Non-consolidated investments	Other long-term investment securities	Rel. receiv.	Loans	Deposits and guarantees	Other	Total
Gross amount							
Opening balance	50,613	149	12,250	3,626	3,933	606	71,176
Changes in consolidation scope	(5,310)	-	(0)	-	-	(442)	(5,751)
Acquisitions/increases	10,713	1	1,394	1,380	64	535	14,088
Disposals/repayments	-	-	(6,909)	(480)	(168)	(4)	(7,560)
Other changes	320	-	1,238	(1,128)	0	(112)	318
Currency translation adjustments	90	(10)	-	(43)	(119)	(40)	(122)
Closing balance	**56,426**	**141**	**7,974**	**3,355**	**3,710**	**543**	**72,149**
Provisions							
Opening balance	-	-	(8,659)	(46)	-	(79)	(8,784)
Changes in consolidation scope			-	-	-	-	-
Currency translation adjustments			-	-	-	(0)	(0)
(Allowances)/reversals			(278)	10	-	-	(269)
Impairment charges							-
Derecognition/other changes			6,705	3	-	-	6,708
Closing balance	**-**	**-**	**(2,233)**	**(33)**	**-**	**(80)**	**(2,345)**
Opening net value	**50,613**	**149**	**3,592**	**3,580**	**3,933**	**526**	**62,393**
Closing net value	**56,426**	**141**	**5,742**	**3,323**	**3,710**	**463**	**69,804**

7.4. OTHER NON-CURRENT ASSETS

Other non-current assets mainly comprise long-term receivables totalling €16 million in 2023 (€18.2 million in 2022).

7.5. INVENTORIES AND WORK IN PROGRESS

In accordance with note 4.5 "Inventories and work-in-progress", inventories of raw materials are carried at actual purchase cost under the FIFO method, while other inventories are measured at the lower of cost price or market value.

The value of inventories at 31 December 2023 and 2022 broke down as follows:

In € thousands	31/12/2023	31/12/2022
Raw materials	372,469	445,925
Work in progress	21,547	19,376
Finished goods	371,128	399,041
Trade goods	121,706	155,685
Total	**886,850**	**1,020,027**

The decrease in the item is due to a decline in the price of raw materials and in business in fiscal year 2023.

7.6. TRADE RECEIVABLES/RECEIVABLES & PAYABLES ON LONG-TERM CONTRACTS

7.6.1. TRADE RECEIVABLES

In € thousands	31/12/2023	31/12/2022
Trade receivables	813,624	871,141
Impairment	(33,803)	(24,917)
Total	**779,821**	**846,224**

"Trade receivables" primarily comprise amounts owing from customers relating to the Group's operations.

The fair value of trade receivables represents their carrying value given their short-term maturities (less than one year).

The financial position of customers is reviewed periodically and provisions are recorded for any bad debt risks in view of the age of the receivables and the customer's financial situation. During the period presented, the Group did not experience any significant difficulties with respect to the collection of trade receivables.

7.6.2. TRADE RECEIVABLES AND PAYABLES ON LONG-TERM CONTRACTS

Long-term contracts for which work is in progress are measured and presented as described in note 5.1.

In € thousands	31/12/2023	31/12/2022
Trade receivables	94,591	72,803
Trade payables	(33,536)	(33,966)
Percentage-of-completion method contracts in progress, net	**61,055**	**38,837**

7.7. FINANCIAL ASSETS AND OTHER CURRENT RECEIVABLES

In € thousands	31/12/2023	31/12/2022
Supplier advances and rebates receivable	46,255	41,005
Receivables to be invoiced	10,002	10,362
Social security receivables	3,009	3,151
Tax receivables	46,758	39,878
VAT receivables	45,921	41,110
Accrued income	-	-
Current account loans to non-consolidated subsidiaries	298	225
Customer portfolio management receivables	8,348	8,472
Operating grant receivable	1,876	1,944
Prepaid expenses	17,850	17,538
Customs duty receivable	5,256	5,446
Financial assets	22,296	12,706
First demand guarantee	-	-
Other	12,573	8,355
Total	**220,443**	**190,193**

“Supplier advances and rebates receivable” rose in 2023 by €5.2 million from Chinese entities.

Tax receivables increased €6.9 million, mainly from French entities for €4.3 million and from Indian entities.

The increase in VAT receivables was mainly due to a higher VAT credit in China (€3.7 million).

“Customs duty receivable” concerns our US subsidiary and corresponds to rebates on customs duty related to products imported to the United States.

Financial assets increased €9.6 million with deposits and guarantees, which rose by €5 million in India and €3.5 million in China.

Receivables for customer portfolio management include security deposits and reserves for repayments relating to the implementation of a factoring agreement in France in 2009 (see note 4.7 above).

7.8. NET CASH AND CASH EQUIVALENTS

Net cash managed, including cash management financial assets, breaks downs as follows:

In € thousands	31/12/2023	31/12/2022
Marketable securities	3,079	1,315
Cash at bank	440,672	309,559
Gross cash and cash equivalents	**443,750**	**310,874**
Bank overdrafts	(24)	(44)
Net cash and cash equivalents	**443,726**	**310,830**
Cash management financial assets		
Listed securities (*)	73,130	59,555
Net cash managed	**516,856**	**370,385**

(*) Investments with a management term that does not meet IAS 7 criteria for classification as cash equivalents

The securities of listed companies and marketable securities consist mainly of short-term investment securities carried at market price at 31 December for the period in question.

7.9. EQUITY

BREAKDOWN OF SHARE CAPITAL

No changes were made to the share capital in 2022 and 2023.

At 31 December 2023, share capital amounted to €50.04 million divided into 4,549,000 shares each with a par value of €11. HFP SAS holds 58.29% of SNF Group's share capital.

ADDITIONAL PAID-IN CAPITAL, RETAINED EARNINGS AND RESERVES (BEFORE APPROPRIATION OF EARNINGS)

Undistributed earnings, including SNF Group balance sheet reserves, amounted to €1,975.6 million at 31 December 2023 (31 December 2022: €1,722.6 million).

TREASURY SHARES

The Group does not hold any treasury shares.

DIVIDENDS

SNF Group paid a dividend of €0.22 per share for the 2022 fiscal year (26 June 2023 AGM) resulting in a total dividend payout of €1 million.

POLICY FOR MANAGING EQUITY

The Company is not subject to any specific regulatory or contractual obligations with respect to its share capital. The Group does not have a particular policy regarding the management of equity. For the purpose of monitoring its equity, the Company integrates the same items used for its consolidated equity.

7.10. NON-CONTROLLING INTERESTS

The change in non-controlling interests among consolidated companies breaks down as follows:

In € thousands	31/12/2023	31/12/2022
Opening balance	42,250	37,364
Share of income of subsidiaries	8,099	9,829
Dividends paid to non-controlling interests	(5,372)	(3,965)
Changes in consolidation scope	3,294	289
Other changes	(77)	(278)
Currency translation adjustments	(2,575)	(990)
Total	**45,619**	**42,250**

The change in non-controlling interests in 2023 mainly results from the performance of these entities and changes in dividends paid.

The change in non-controlling interests in 2022 mainly resulted from the performance of these entities and changes in currency translation adjustments.

7.11. OTHER PROVISIONS

Provisions break down as follows:

	31/12/2023		31/12/2022	
In € thousands	Non-current	Current	Non-current	Current
Pension and similar liabilities	17,098	1,184	18,434	1,085
Lawsuit contingency provisions		1,409		1,806
Provisions for subsidiary customer risks	4,291	386	4,349	66
Tax contingencies	2,134		2,270	
Other contingencies	856		910	
Total	**24,379**	**2,979**	**25,964**	**2,958**

Provisions are divided into current and non-current categories according to their respective portions applicable within or after one year.

Changes in these provisions (excluding pensions and similar liabilities) for the year break down as follows:

In € thousands	01/01/2023	Additions	Reversals of unused provisions	Provisions used in the period	Other changes	31/12/2023
Lawsuit contingency provisions	1,806	-	243	(562)	(77)	1,410
Other contingencies	4,416	-	1,520	(1,062)	(197)	4,677
Provisions for subsidiary customer risks	2,270	-	(251)	-	115	2,134
Tax contingencies	911	50	-	-	(106)	855
Total	**9,403**	**50**	**1,513**	**(1,624)**	**(265)**	**9,077**

Lawsuit contingency provisions

Certain subsidiaries are defendants in litigation and claims by third parties. Provisions for these contingencies have been estimated according to the principle described in note 4.10.

At 31 December 2023, lawsuit contingency provisions included:

	31/12/2023		31/12/2022	
In € thousands	Current	Non-current	Current	Non-current
Waste elimination contingencies	-		34	
Local administration litigation/contingencies		2,134		2,270
Sales-related litigation/contingencies	386	4,291	66	4,349
Staff-related litigation/contingencies	243		528	
Other litigation and contingencies	1,166	856	1,244	911
Total	**1,795**	**7,282**	**1,873**	**7,530**

Sales-related contingencies concern provisions for loss on completion in respect of percentage-of-completion method contracts.

7.12. EMPLOYEE BENEFITS AND EQUIVALENT

7.12.1. POST-EMPLOYMENT BENEFITS

ASSUMPTIONS

Provisions recorded for pension and similar liabilities in accordance with note 4.11 mainly concern France and the USA.

These liabilities are determined by actuaries based on given assumptions that are reviewed each year.

	France		USA	
Assumptions	2023	2022	2023	2022
Economic assumptions				
Wage growth rate*	1.8% to 3.5%	1.8% to 3.5%	2.98% to 6.20%	2.98% to 6.20%
Discount rate	3.20%	3.75%	5.00%	5.15%
Expected rate of return on plan assets	3.20%	3.75%	5.00%	5.15%
Average remaining working lives	21.9 years	20.3 years	16 years	14 years
Social security charge rate	39 to 50%	40 to 50%		
Demographic assumptions				
Retirement age	62 to 64 years	60 to 62 years	65 years	65 years
Employee mobility rate*	0.9% to 5%	0.9% to 5%	2.94% to 17%	3% to 17%
Mortality tables	TGH & TGF 05	TGH & TGF 05	PRI-2012	PRI-2012
	INSEE H / F 2018 – 2020			

* Rates indicated depend on age and social and professional categories

The investment rate of return is the same as the discount rate applied to the liability in accordance with Revised IAS 19.

INFORMATION ON FINANCIAL ASSETS AND RECOGNISED EXPENSES

The liability and recognised expense break down as follows:

31/12/2023

In € thousands	France	USA	Other countries	Total
Present value of liability	(15,815)	(55,839)	(2,728)	(74,383)
Present value of fund assets	1,796	57,651		59,448
UNDERFUNDED LIABILITY	**(14,019)**	**1,812**	**(2,728)**	**(14,935)**

In € thousands	31/12/2022 France	USA	Other countries	Total
Present value of liability	(15,363)	(90,784)	(2,539)	(108,687)
Present value of fund assets	1,689	88,614		90,303
UNDERFUNDED LIABILITY	**(13,674)**	**(2,171)**	**(2,539)**	**(18,384)**

The detailed breakdown of changes in the financial position of plans at 31 December 2023 was as follows:
The increase in interest rates led to a sharp change in actuarial gains and losses.

In € thousands	31/12/2023 France	USA	Other countries	Total
Present value of liability				
Opening balance	(15,363)	(90,784)	(2,539)	(108,687)
Service costs	(624)	(2,205)	28	(2,801)
Interest costs	(517)	(4,525)		(5,043)
Past service costs				-
Benefit payments	571	2,839		3,410
Actuarial gains/(losses)	(843)	1,425		582
Other (*)	961	34,944		35,905
Currency translation adjustments		2,468	(217)	2,251
Closing balance	**(15,815)**	**(55,839)**	**(2,728)**	**(74,382)**
Present value of fund assets				
Opening balance	1,689	88,614		90,303
Return on plan assets	69	4,340		4,410
Employer contributions	358	3,007		3,366
Benefit payments	(356)	(2,839)		(3,195)
Actuarial gains/(losses)	35	1,949		1,984
Other (*)		(34,944)		
Currency translation adjustments and other		(2,476)		(2,476)
Closing balance	**1,796**	**57,651**	**-**	**94,391**

(*) Other:
For France, this impact is due to the pension reform in France, which became law on 15 April 2023
For the United States, these are contracts transferred to an external entity for employees who have already left (retired or left the SNF Group)

The detailed breakdown of changes in the financial position of plans at 31 December 2022 was as follows:

	31/12/2022			
In € thousands	France	USA	Other coun-tries	Total
Present value of liability				
Opening balance	(18,721)	(116,537)	(2,514)	(137,772)
Service costs	(1,253)	(3,519)	10	(4,763)
Interest costs	(224)	(3,524)		(3,749)
Past service costs				-
Benefit payments	1,241	2,692		3,932
Actuarial gains/(losses)	3,595	37,714		41,309
Currency translation adjustments		(7,609)	(35)	(7,644)
Closing balance	**(15,363)**	**(90,784)**	**(2,539)**	**(108,687)**
Present value of fund assets				
Opening balance	2,010	95,214	-	97,224
Return on plan assets	24	2,778		2,802
Employer contributions	261	5,454		5,715
Benefit payments	(576)	(2,692)		(3,268)
Actuarial gains/(losses)	(30)	(18,183)		(18,213)
Currency translation adjustments and other		6,043		6,043
Closing balance	**1,689**	**88,614**	**-**	**90,303**

In the United States, 2023 pension liabilities are partly covered by independent investment funds, the current value of which amounts to €57.7 million. These funds break down as follows:
- Bonds: 0%
- Equities: 54%
- Real estate: 46%

In the United States, 2022 pension liabilities are partly covered by independent investment funds, the current value of which amounts to €88.6 million. These funds break down as follows:
- Bonds: 0%
- Equities: 43%
- Real estate: 57%

The impact of changes in these plans on the financial statements breaks down as follows:

BALANCE SHEET

In € thousands	2023 France	USA	Other countries	Total
Balance of the prior period	**(13,674)**	**(2,170)**	**(2,538)**	**(18,382)**
Costs of the period	(1,072)	(2,390)	28	(3,434)
Benefit payments net of fund reimbursements	215			215
Contributions paid to the plan	358	3,007		3,366
Actuarial gains/(losses)	(808)	3,374		2,566
Other (*)	961			
Reclassifications				
Currency translation adjustments and other		**(8)**	**(217)**	**(225)**
Closing balance	**(14,019)**	**1,812**	**(2,727)**	**(15,895)**

(*) Other:
For France, this impact is due to the pension reform in France, which became law on 15 April 2023

In € thousands	2022 France	USA	Other countries	Total
Balance of the prior period	**(16,712)**	**(21,323)**	**(2,513)**	**(40,548)**
Costs of the period	(1,455)	(4,265)	10	(5,710)
Benefit payments net of fund reimbursements	667			667
Contributions paid to the plan	261	5,454		5,714
Actuarial gains/(losses)	3,566	19,531		23,096
Reclassifications				
Currency translation adjustments and other		(1,567)	(35)	(1,602)
Closing balance	**(13,674)**	**(2,170)**	**(2,539)**	**(18,383)**

INCOME STATEMENT

In € thousands	France	USA	Other countries	Total
				2023
Annual service costs	(338)	2,205	(28)	1,839
Financial costs of the liability	517	4,525		5,043
Financial income from fund investments	(69)	(4,340)		(4,410)
Cost of the period (in operating income and expense)	**110**	**2,390**	**(28)**	**2,472**

In € thousands	France	USA	Other countries	Total
				2022
Annual service costs	1,253	3,519	(10)	4,763
Financial costs of the liability	224	3,524		3,749
Financial income from fund investments	(24)	(2,778)		(2,802)
Cost of the period (in operating income and expense)	**1,453**	**4,265**	**(10)**	**5,709**

7.12.2. OTHER LONG-TERM BENEFITS

Liabilities for length-of-service awards in France are reviewed by actuaries and amounted to €1.4 million at 31 December 2023.

The discount rate applied for 2023 was 3.20% (2022: 3.75%).

7.12.3. SENSITIVITY TESTING OF THE LIABILITIES

In France, sensitivity tests with a discount rate of 3.45% and 2.95% lead to a change in retirement severance benefits (IFC) (+/-3%) and pension liabilities (+/-1.5%) of +/- €0.4 million.

In the United States, a 4.75% discount rate would increase the liability by some €2.5 million while a 5.25% discount rate would lead to a €2.4 million reduction.

7.13. BORROWINGS

In September 2021, the Group restructured its USD debt in order to benefit from favourable market conditions and extend its debt maturity.

On 20 September 2021, the US$500 million high yield bond placements issued in 2013 and 2017 were restructured as follows:

	High yield 2013 & 2017	High yield 2021	High yield 2021
Nominal value (US$)	500	350	350
Maturity	2025	2027	2030
Interest rate	4.875%	3.125%	3.375%

7.13.1. GROSS BORROWINGS AT 31 DECEMBER 2023 AND 2022

In € thousands	31/12/2023	31/12/2022
Bond debt	1,328,565	1,347,826
Bank borrowings	399,150	456,727
Lease liabilities	50,552	41,241
Other borrowings	5,321	4,510
Employee profit-sharing	272	-
Non-current borrowings	**1,783,859**	**1,850,304**
Bank borrowings	67,544	41,231
Employee profit-sharing	439	456
Other borrowings	487	542
Lease liabilities	15,126	14,576
Current borrowings	**83,596**	**56,806**
Gross borrowings	**1,867,455**	**1,907,109**
Gross cash and cash equivalents	(516,880)	(370,429)
Net borrowings	**1,350,574**	**1,536,681**

Borrowings are initially recognised at fair value net of directly attributable debt issuance costs. They are subsequently measured at amortised cost. Measurement of the effective interest rate includes interest payments and the amortisation of debt issuance costs. Debt issuance costs are amortised in financial expenses over the term of the loan using the EIR method.

In June 2023, SNF Group restructured its revolving credit facility. The Group has a €750 million revolving credit facility maturing in June 2028, with two extension options of one year each.
At 31 December 2023, €158 million had been drawn down (€48 million at 31 December 2022).

The breakdown of borrowings and debt by maturity is presented below:

In € thousands	31/12/2023	31/12/2022
< 1 year	83,596	56,806
1 to 2 years	25,291	126,417
2 to 3 years	588,413	55,529
3 to 4 years	319,337	633,263
4 to 5 years	163,317	329,905
> 5 years	687,501	705,190
Total	**1,867,455**	**1,907,109**

This syndicated credit facility was established for SNF Group. This facility includes a *pari passu* clause with the other bond debts.
The interest rate applied to amounts borrowed corresponds to the benchmark rate in the borrowing currency plus a variable margin.

7.13.2. COVENANT

The continued availability of the revolving credit facility is subject to compliance with a financial ratio tested every 12 months at the end of the first half, or at the closing date of the fiscal year in question.

This ratio corresponds to the consolidated net borrowings divided by consolidated EBITDA. The definitions of consolidated net borrowings and consolidated EBITDA are set out in the credit facility agreement signed in June 2023.

Under the 27 June 2023 agreement, the Group undertakes that, at each test period, the financial debt ratio will be equal to or less than 4.00.

The margin applicable to credit facilities is adjustable according to the debt ratio calculated for the fiscal year covered by the annual consolidated financial statements or the period ending 30 June of each year covered by the interim financial statements.

The covenant was in compliance in 2023 and 2022.

Breakdown of current borrowings:

In € thousands	31/12/2023	31/12/2022
Other borrowings	60,006	33,283
Lease liabilities	15,126	14,576
Current account borrowings	487	542
Bank overdrafts	24	44
Accrued interest on borrowings	7,514	7,904
Employee profit-sharing	439	456
Current borrowings	**83,596**	**56,806**

The “Other borrowings” line item reflects financing for working capital requirements of Chinese and Japanese subsidiaries and amounts borrowed to finance the acquisition of property and equipment for the UK, US and German subsidiaries.

The characteristics of these borrowings are as follows:

2023

In € thousands	Balance sheet amount	Issuance currency	Maturity	Effective rate
NON-CURRENT				
Employee profit-sharing	272	EUR		Fixed
Lease liabilities	50,552		2023 to 2027	Floating
Current account borrowings	5,235	EUR/GBP		Floating
Bond debt	1,328,565	EUR/USD	2026, 2027, 2029 and 2030	2% and 3.375%
Borrowings/France	398,876	EUR/USD	2023 to 2028	Fixed & floating
Borrowings/USA	273	USD	2023	Variable SOFR
Borrowings/other countries	0	EUR		Floating
TOTAL NON-CURRENT	**1,783,772**			
CURRENT				
Employee profit-sharing	439	EUR/MXN	2023	Fixed
Lease liabilities	15,126		2023	Floating Euribor
Bank borrowings	11,822		2023	Floating
Borrowings/USA	55,110	USD	2023	Variable SOFR
Current account borrowings	487	EUR/GBP	2023	Floating
Borrowings/France	700	EUR/USD	2023	Fixed & floating
Borrowings/other countries			2023	Floating
TOTAL CURRENT	**83,682**			

7.13.3. NET BORROWINGS

In € thousands	31/12/2023	31/12/2022
Non-current borrowings	1,783,859	1,850,304
Current borrowings	83,596	56,806
Gross borrowings	**1,867,455**	**1,907,109**
Gross cash managed	(516,880)	(370,429)
Derivatives		
Net borrowings	**1,350,574**	**1,536,681**

Net borrowings include all current and non-current borrowings less cash and readily realisable cash equivalents with maturities of less than one year.

7.13.4. LEASE LIABILITIES

At 31 December 2023, lease liabilities amounted to €65.7 million, including €44.2 million due in more than one year and €21 million due within a year.

Changes over the year are broken down as described in the table below:

In € thousands	31/12/2023	31/12/2022
Opening lease liabilities	**55,817**	**50,813**
New lease liabilities	16,147	14,501
First-time consolidation	2,097	(0)
Payment of lease liabilities	(6,971)	(10,429)
Termination of leases		
Other changes	-	-
Foreign exchange impact	(1,413)	932
Closing lease liabilities	**65,677**	**55,817**

Maturities break down as follows:

In € thousands	Current and non-current lease liabilities	< 1 year	1-2 years	2-5 years	> 5 years
Real estate lease liabilities	12,212	311	323	1,048	10,529
Other lease liabilities	53,465	21,131	8,298	14,248	9,789
31/12/2023	**65,677**	**21,442**	**8,621**	**15,296**	**20,318**

7.13.5. AVERAGE COST OF DEBT

The average pre-tax cost of debt for fiscal 2023 was 3.07%.

	2023	2022
Average cost of debt	**3.07%**	**2.75%**

This was determined on the basis of the average value of drawn-down credit facilities over the year, adjusted for the weighted gross interest expense (including amortisation of debt issuance costs) for each category of debt.

7.14. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities break down as follows:

In € thousands	31/12/2023 Non-current	31/12/2023 Current	31/12/2022 Non-current	31/12/2022 Current
Operating payables	2,481	467,534	2,686	584,576
Payables to fixed asset suppliers	2,793	52,108	0	49,191
Tax and social security liabilities	-	123,105	-	94,244
Other payables	18,081	70,549	27,374	70,916
TOTAL	**23,355**	**713,295**	**30,060**	**798,927**

The decrease in these items is mainly due to a decline in the price of raw materials and in business in fiscal year 2023.

7.15. BOOK VALUE AND FAIR VALUE OF FINANCIAL INSTRUMENTS

7.15.1. FINANCIAL INSTRUMENTS

The book value of financial assets and liabilities by accounting category defined under IFRS 9 is as follows:

31/12/2023

In € thousands	Carrying value	Financial assets measured at FVTPL	Financial assets/liabilities at amortised cost
ASSETS			
Equity instruments	60,987	60,987	
Other financial assets	23,749		23,749
Loans and financial receivables	22,273		22,273
Current account borrowings	6,736		6,736
Trade receivables	779,821		779,821
Cash and cash equivalents	516,880	516,880	
TOTAL	**1,410,446**	**577,868**	**832,578**
EQUITY & LIABILITIES			
Bonds	1,328,565		1,328,565
Other bank borrowings	466,648		466,648
Borrowings under finance lease agreements	65,677		65,677
Current account borrowings	5,721		5,721
Other borrowings	439		439
Bank overdrafts	24		24
Trade payables	522,123		522,123
TOTAL	**2,389,197**	**-**	**2,389,197**

The fair value of the €1,333.5 million high yield bond issues carried out by the Group (€700 million plus US$700 million, equivalent to €633 million) amounted to €1,356.3 million at 31 December 2022. The euro bonds are quoted at 96.3% and 91.6% and the USD bonds at 91.9% and 86.4% of par.

31/12/2022

In € thousands	Carrying value	Financial assets measured at FVTPL	Financial assets/liabilities at amortised cost
ASSETS			
Equity instruments	56,426	56,426	
Other financial assets	12,062		12,062
Loans and financial receivables	14,023		14,023
Current account borrowings	1,450		1,450
Trade receivables	846,224		846,224
Cash and cash equivalents	370,429	370,429	
TOTAL	**1,300,613**	**426,854**	**873,759**
EQUITY & LIABILITIES			
Bonds	1,347,826		1,347,826
Other bank borrowings	497,914		497,914
Borrowings under finance lease agreements	55,817		55,817
Current account borrowings	5,052		5,052
Other borrowings	456		456
Bank overdrafts	44		44
Trade payables	636,453		636,453
TOTAL	**2,543,562**	**-**	**2,543,562**

The fair value of trade receivables and other current receivables (assets held to maturity) represents their book value, given their short-term maturities.

Non-current financial assets mainly include non-consolidated equity interests, receivables on these interests and receivables due in more than one year. These assets are carried at their acquisition cost, which according to the Group's estimates represents their fair value in the absence of an active market.

Loans and borrowings, in the absence of quoted prices on an active market, are measured on the basis of future cash flows, item by item, discounted up to the closing date based on the rates observed on the market at period end for comparable types of debt instruments.

7.15.2. CASH AND CASH EQUIVALENTS

The policy for managing financial risks is presented in note 7.15.

At 31 December 2023, the Group mainly held securities of listed companies totalling €73 million.

7.15.3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments held by the Group is calculated whenever it can be reliably estimated on the basis of market data for assets considering that they are not intended to be sold.

For this purpose, the Group uses the method for measuring financial instruments based on a hierarchy of fair value:

- Level 1: fair value is based on unadjusted quoted prices on markets for identical assets and liabilities;
- Level 2: fair value is based on observable level 1 quoted prices for the asset or liability in question, either directly (i.e. prices) or indirectly (i.e. data derived from prices);
- Level 3: fair value is based on data relating to the assets or liabilities that is not derived from observable market data.

The following table presents the fair value breakdown of these three levels for financial assets and liabilities measured at fair value:

31 December 2023

In € thousands	Level 1	Level 2	Level 3	Total
Equity interests		60,987		60,987
Cash and cash equivalents	516,880			516,880
Derivative liabilities		-		-

31 December 2022

In € thousands	Level 1	Level 2	Level 3	Total
Equity interests		56,426		56,426
Cash and cash equivalents	370,429			370,429
Derivative liabilities		-		-

7.16. MANAGEMENT OF RISKS RELATING TO FINANCIAL INSTRUMENTS

Management of credit risk, liquidity risk and market risk is centralised and monitored by the Finance Department. Based on changes in the Group’s various exposures, positions are bought and sold to minimise risk.

7.16.1. CREDIT RISK

In connection with its cash management activities, the Group has an exposure to credit risk. Market transactions are carried out within authorisation limits set by the Finance Department for each counterparty. For the Group, counterparties for financial instruments include:

• for trade receivables, accounts receivable (consisting mainly of receivables related to commercial arrangements with suppliers) for which the Group has trade payables for at least an equivalent amount;
• for cash and cash equivalents, banks or high quality institutions with excellent ratings from the rating agencies.
Impairment for trade receivables is recorded on a case-by-case basis when it is significantly likely that all or part of the amount will not be collected.

Aged trial balance for trade receivables

In € thousands	31/12/2023		31/12/2022	
Not due	540,024		573,204	
Due:	292,403		318,956	
- < 30 days overdue		*129,350*		*159,528*
- 30-120 days overdue		*114,890*		*108,666*
- > 120 days overdue		*48,163*		*50,761*
Provisions	(36,577)		(27,708)	
TOTAL	**795,849**	**292,403**	**864,452**	**318,956**

7.16.2. LIQUIDITY RISK

The SNF Group has short and medium-term credit facilities (see note 7.13) with top-tier banks that provide it with flexible sources of funding. Drawing on its internal analysis tools, the role of the Finance Department is to maintain sufficient liquidity at all times, by managing Group cash and ensuring secure financing in terms of duration and legal conditions.
At 31 December 2023, €1,867 million out of total drawing rights of €2,459 million had been drawn down under credit facilities.

At 31 December 2023, undiscounted contractual flows (principal and interest) for the total outstanding amount of financial liabilities by maturity date broke down as follows:

31 December 2023 *In € thousands*	2024	2025	2026	2027	2028	> 5 yrs	Total	Carrying value
Derivative financial instruments							-	-
Trade and other payables							-	-
Drawdowns of credit facilities	62,154	16,669	581,673	314,549	159,549	667,183	1,801,778	1,801,778
Floating-rate finance leases	21,442	8,621	6,740	4,788	3,769	20,318	65,677	65,677
Other borrowings	-						-	-
Other payables								
Other financial liabilities								
TOTAL	**83,596**	**25,291**	**588,413**	**319,337**	**163,317**	**687,501**	**1,867,455**	**1,867,455**

at 31 December 2022 *In € thousands*	2023	2024	2025	2026	2027	> 5 yrs	Total	Carrying value
Derivative financial instruments							-	-
Trade and other payables							-	-
Drawdowns of credit facilities	42,229	115,692	48,596	629,022	326,827	688,927	1,851,292	1,851,292
Floating-rate finance leases	14,576	10,725	6,932	4,242	3,078	16,263	55,817	55,817
Other borrowings	-						-	-
Other payables								
Other financial liabilities								
TOTAL	**56,806**	**126,417**	**55,529**	**633,263**	**329,905**	**705,190**	**1,907,109**	**1,907,109**

7.16.3. MARKET RISKS

In connection with its operations, the Group may have various exposures to foreign exchange and interest rate risks. The policy for managing these risks is described below.

A) FOREIGN EXCHANGE RISK

A large proportion of the Group's sales are in currencies other than the euro, particularly US dollars, pound sterling, Brazilian reals, Japanese yen, South Korean won and Chinese renminbi yuan. These sales in foreign currencies are primarily carried out by the Group's subsidiaries in their functional currency and consequently do not generate foreign exchange transaction risk at their level.

The Group's primary foreign exchange transaction risks arise from invoicing between Group companies when they invoice or purchase products or services in a currency other than their functional currency:
· For export transactions of production subsidiaries located in euro, dollar or renminbi yuan regions and exporting in their functional currency or US dollars rather than the local currency of the sales subsidiary;
· For import transactions of goods from external suppliers that invoice us in US dollars.
The following table summarises the sensitivity of the Group's consolidated income statement to a 10% increase or decrease in exchange rates in relation to the euro linked to the translation of transactions recorded by the subsidiaries in foreign currencies.

	Contribution to the consolidated financial statements					Sensitivity to fluctuations of the main currencies versus the euro	
In € thousands	EUR	USD	CNY	OTHER	TOTAL	+10 %	-10 %
Revenue	2,211,153	808,446	549,898	949,442	4,518,938	362,302	(362,302)
EBITDA	425,280	166,117	158,746	151,677	901,820	70,204	(70,204)
Recurring operating income	266,235	106,888	132,602	112,065	617,791	48,821	(48,821)

Because of the Group's international presence, its balance sheet is exposed to fluctuations in foreign exchange rates.
A change in the euro affects the translation in the consolidated balance sheet of assets and liabilities of subsidiaries stated in foreign currencies.

The following table summarises the sensitivity of the main balance sheet aggregates of the Group to a 10% increase or decrease in exchange rates in relation to the euro.

	Contribution to the consolidated financial statements						Sensitivity to fluctuations of the main currencies versus the euro	
In € thousands	USD	EUR	CNY	JPY	OTHER	Total	+10 %	-10 %
Gross borrowings	742,947	1,104,648	9,319	2,681	7,860	1,867,455	76,281	(76,281)
Trade receivables	272,042	151,214	174,346	18,177	164,042	779,821	59,386	(59,386)
Trade payables	236,047	99,026	81,046	5,363	46,052	467,534	43,324	(43,324)

B) INTEREST RATE RISK

The SNF Group policy for managing interest rate risk is based on three objectives, covering security, liquidity and profitability. Management of interest rate risk is centralised and monitored on a periodic basis by the Finance Department.

In connection with its financing activities and based on an assessment of exposure to interest rate risk, SNF Group may use financial instruments to reduce exposure and minimise interest costs. Use of such hedging instruments has not been made.

Breakdown of commitments subject to interest rate risks

In € thousands	Credit facilities	Property finance leases
2024	55,108	0
2025	13,575	0
2026		0
2027		0
From 2028 onwards	158,000	
Rate	**Euribor/SOFR**	
Hedging	**None**	

Analysis of gross borrowings by type of rate

At 31 December 2023, 87% of Group gross borrowings were at fixed rates, mainly consisting of the €1,333 million bond issues, and 13% at floating rates.

Sensitivity analysis of interest rate risks

The analysis of sensitivity is based on the situation of the floating-rate portion of net debt at year-end, with no hedging instruments used at that date.
For interest rate risks, sensitivity corresponds to an immediate 1% increase or decrease in the yield curve relative to prevailing interest rates at year-end.

At 31 December 2023, the impact of an immediate 1% increase in all yield curves would increase the Group's net interest expense by €7 million. Group net income after tax at the actual tax rate would reduce by €5.3 million.

At 31 December 2023, the impact of an immediate 1% decrease in all yield curves would reduce Group net interest expense by €7 million. Group net income would increase by €5.3 million.

NOTE 8 - NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1. REVENUE

By type

In € thousands		2023	2022
Sales	(1)	4,447,927	4,845,431
Services		71,011	65,491
TOTAL		**4,518,938**	**4,910,922**

(1) Revenue from percentage-of-completion method contracts amounted to €46 million in 2023 and €32 million in 2022.

By region

In € thousands	2023	2022
France	117,077	127,853
Europe	757,947	839,052
Americas	2,261,351	2,397,300
Asia	1,283,058	1,439,178
Other countries	99,505	107,540
TOTAL	**4,518,938**	**4,910,922**

8.2. OPERATING EXPENSES

In € thousands	2023	2022
Cost of sales	(3,538,318)	(4,053,124)
Selling expenses	(175,003)	(147,724)
Research and development expenditure	(62,720)	(59,059)
General and administrative expenses	(125,107)	(113,809)
TOTAL	**(3,901,147)**	**(4,373,716)**

8.3. STAFF COSTS

Breakdown of staff costs

In € thousands	2023	2022
Salaries and wages (excluding temporary personnel)	(390,994)	(346,950)
Social security charges	(117,694)	(109,966)
Statutory and optional employee profit-sharing	(5,027)	(540)
Total staff costs	**(513,715)**	**(457,456)**

Breakdown of personnel at year-end by category

Personnel employed by consolidated companies break down as follows by category:

Category	31/12/2023	31/12/2022
Managers and senior executives	904	816
Technicians and supervisory staff	1,295	1,202
Office staff	1,725	1,512
Plant workers	3,975	3,724
TOTAL	**7,899**	**7,254**

8.4. AMORTISATION, DEPRECIATION AND PROVISIONS

Amortisation, depreciation and provisions included under operating expenses concern the following items:

	2023		2022	
In € thousands	Depr. & amort.	Provisions	Depr. & amort.	Provisions
Development costs	(9,069)	52	(9,681)	(57)
Manufacturing costs	(252,587)	(5,648)	(239,962)	(3,697)
Marketing expenses	(4,742)	(3,305)	(4,536)	1,008
General expenses	(9,877)	1,145	(8,954)	243
Total	**(276,274)**	**(7,755)**	**(263,133)**	**(2,503)**

8.5. NON-RECURRING OPERATING INCOME AND EXPENSES

In € thousands	2023	2022
Tax litigation		-
Sales-related litigation	(9,916)	(12,250)
Site streamlining and operational restructuring costs	(5,282)	(31,580)
Asset impairment	(23,102)	(27,870)
Other expenses and income	(25,436)	(17,356)
TOTAL	**(63,735)**	**(89,056)**

TAX LITIGATION

No tax dispute was recorded under other operating expenses in 2022 and 2023.

SALES-RELATED LITIGATION

This item includes €9 million in deprececiation of certain trade receivables, primarily in hyperinflationary economies.

SITE STREAMLINING AND OPERATIONAL RESTRUCTURING COSTS

In 2023, these costs mainly comprised a €5 million loss following the shutdown of our xanthate operations.

ASSET IMPAIRMENT

This item comprises a €23 million asset impairment charge applied in Saratov plant to take account of the geopolitical situation.

It should be noted that the settlement of sales-related litigation, streamlining costs and impairment charges had no impact on cash.

OTHER EXPENSES AND INCOME

This account includes other material operating income or expenses relating to extraordinary events that could affect the analysis and comparability of the Group's business.

In 2023, this item mainly consisted of:
- the cost of employee litigation in the United States (€2.7 million) and France (€0.8 million);
- restructuring costs in the United States (€12.6 million).

In 2022, this item mainly consisted of:
- the cost of employee litigation in the United States (€2 million) and France (€1.7 million);
- climate related costs in the United States (€0.9 million).

8.6. NET FINANCIAL INCOME/(EXPENSE)

In € thousands	2023	2022
Gross interest expense	(67,367)	(51,306)
Income from cash and cash equivalents	4,019	351
Other financial income and expenses	18,532	(18,265)
Currency gains/(losses)	(18,596)	(43,729)
Net book value – financial investments	1,192	34
Reversals of/(additions to) amortisation and provisions	(1,288)	6,587
Net financial income/(expense)	**(63,508)**	**(106,327)**

Gross interest expense includes €3 million in non-cash expenses, the amount shown on the cash flow statement being €64 million.

Foreign exchange gains and losses relating to transactions in foreign currencies are recognised under operating margin. Translation differences relating to financing activities are recognised under financial income and expense.

Gross interest expense in 2022 included €2.7 million in non-cash expenses, the amount shown on the cash flow statement being €113.8 million.

In 2023, other financial income and expenses mainly consisted of:

- capitalised interest totalling €14 million;
- €0.9 million income from investments in and loans to non-consolidated entities;
- €13.6 million increase in the fair value of investment securities.

In 2022, other financial income and expenses mainly consisted of:

- €3.7 million income from investments in and loans to non-consolidated entities;
- €24.6 million reduction in the fair value of investment securities.

8.7. INCOME TAX

TAX EXPENSE

In € thousands	2023	2022
Current income tax	(114,675)	(68,451)
Net deferred tax	(3,088)	(11,505)
Income tax	**(117,763)**	**(79,957)**
Including non-recurring tax effects	-	-
Total excluding non-recurring tax effects	**(117,763)**	**(79,957)**

Current income tax equals amounts paid or payable in the short term to tax authorities for the fiscal year in accordance with the rules and rates in force in the different countries.

In France, the Group benefits from rules allowing taxable income and losses to be offset between a parent company and subsidiaries that belong to a tax group. Under these rules the results of all companies included in the tax group are not impacted and the tax group does not generate any material tax savings with the exception of the immediate offset of losses against profits.

ANALYSIS OF TAX EXPENSE

At 31 December 2023, the tax rate applicable in France was the basic rate of 25.00% plus a 3.30% social security contribution rate, giving a total rate of 25.825%.

The Group's effective tax rate, excluding non-recurring tax effects, amounted to 24.01% in 2023 compared to 23.39% in 2022.

The difference between the effective tax rate and the statutory French tax rate in 2023 breaks down as follows:

In € thousands	2023	2022
Statutory tax rate	**25.83%**	**25.83%**
Consolidated book income before tax	490,547	341,824
Theoretical tax expense at applicable rates	(126,684)	(88,276)
Effective tax expense	(117,763)	(79,957)
Variance between effective and theoretical tax expense	**8,921**	**8,319**
Impact of permanent differences	16,611	16,019
Impact of differences in tax rates	(21,311)	(26,516)
Impact of tax losses and tax credits	938	1,461
Impact of specific taxes and tax audits	(5,159)	717
Total	**(8,921)**	**(8,319)**
Effective tax rate	**24.01%**	**23.39%**

The change in the statutory tax rate reflects changes in the respective contributions of each taxable entity to Group pre-tax net income and the fact that some entities posted taxable income while others posted taxable losses.

Research tax credits akin to grants are classified under recurring operating income. At 31 December 2023, €6.9 million was recognised on that basis in respect of the French and US companies.

Deferred tax assets and liabilities

In € thousands	31/12/2023	31/12/2022
Non-current assets	(176,640)	(208,058)
On loss carryforwards	(938)	(1,461)
Pension liabilities	(1,242)	8,323
Elimination of intercompany profits	1,124	11,882
On other temporary differences	12,815	21,756
Total deferred taxes	**(164,882)**	**(167,558)**
Of which:		
Deferred tax assets	11,002	8,281
Deferred tax liabilities	(175,883)	(175,839)

Deferred taxes recognised on the balance sheet under "Fixed assets" result from temporary differences between the accounting and tax bases of those assets.

8.8. NET EARNINGS PER SHARE

Item	2023	2022
Net income for the period	365,331	253,998
Net income for the calculation of diluted earnings per share	365,331	253,998
Number of shares outstanding at beginning of period	4,549,000	4,549,000
Weighted average number of shares before dilution	4,549,000	4,549,000
Weighted average number of shares with dilution	4,549,000	4,549,000
Basic earnings per share	**80.31**	**55.84**
Diluted earnings per share	**80.31**	**55.84**

NOTE 9 - NOTES RELATING TO COMMITMENTS AND OTHER DISCLOSURES

9.1. OFF-BALANCE SHEET COMMITMENTS AND COLLATERAL

In € thousands	31/12/2023	31/12/2022
Guarantees given to customs authorities	3,380	5,033
Guarantees given to customers (performance bonds, bid bonds)	102,421	120,200
Guarantees for debt of non-consolidated entities	-	-
Guarantees given to employees for time savings accounts and banks	64	8,958
Seveso and bank guarantees	6,308	6,308
Share of loans secured by collateral	3,852	4,552
TOTAL	**116,025**	**145,052**

The SNF Group recognises obligations or commitments in connection with future payments:

		Payments due by period		
In € thousands	Total	< 1 year	1-5 years	> 5 years
Interest expense on borrowings	218,363	54,815	151,891	11,657
TOTAL	**218,363**	**54,815**	**151,891**	**11,657**

On behalf of the French entities, the Group obtained grants receivable totalling €17.2 million, €0.9 million of which had been received at 31 December 2023. These grants are subject to conditions relating to amounts invested and jobs created.

9.2. RELATED PARTIES

9.2.1 EXECUTIVE MANAGEMENT (CORPORATE OFFICERS)

A) COMPENSATION OF MANAGEMENT BODIES:

Compensation allocated for fiscal year 2023 to members of the SNF Group Management Committee and Board of Directors for their duties within Group subsidiaries amounted to €3.7 million.

B) ATTENDANCE FEES:

Attendance fees paid to directors in 2023 amounted to €0.1 million.

9.2.2. RELATIONS WITH ASSOCIATES AND NON-CONSOLIDATED COMPANIES:

The consolidated financial statements include transactions carried out by the Group in the course of its normal business operations with associates and non-consolidated subsidiaries. These transactions are carried out on arm's-length terms.

These items break down as follows in the income statement:

In € thousands	2023	2022
Operating income	**97,357**	**115,228**
Associates	19,594	23,581
Non-consolidated subsidiaries	77,763	91,647
Operating expenses	**-**	**-**
Associates		-
Non-consolidated subsidiaries		-
Other financial income and expenses	**1,620**	**1,029**
Associates	92	70
Non-consolidated subsidiaries	1,528	959

Assets and liabilities of the Group concerning related parties at year-end break down as follows:

In € thousands	31/12/2023	31/12/2022
Loans or advances granted	**19,617**	**9,443**
Associates	916	201
Non-consolidated subsidiaries	18,700	9,243
Trade and other receivables	**28,936**	**34,868**
Associates	4,550	6,171
Non-consolidated subsidiaries	24,386	28,696
Trade and other payables	**-**	**-**
Associates	-	-
Non-consolidated subsidiaries	-	-

There are no other transactions to report with related parties as defined under IAS 24, i.e. shareholders, associates and joint ventures.