Alpha-Beta International

ANNUAL REPORT

2019

Company: Alpha-Beta International

Registered with the Dax trade and companies register under number 833 883 770

Contents

I. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	2019 (12 months)	2018 (9 months)	Notes
Revenue	**544,652**	**413,398**	**V.6.1**
Other business income	9,956	4,922	V.6.1
Income from ordinary activities	**554,607**	**418,320**	**-**
Selling expense	(24,822)	(18,942)	V.6.2
Variable expense	(297,118)	(243,433)	V.6.4.4
Contribution margin	**232,667**	**155,946**	**-**
Direct non-proportional expense	(85,937)	(57,088)	V.6.5
Gross profit	**146,731**	**98,858**	**-**
General and administrative expense	(38,065)	(26,263)	V.6.5
R&D expense	(10,088)	(7,863)	V.6.5
Net provision expense	(313)	(351)	V.9.2
Depreciation and amortisation	(67,744)	(45,594)	V.8.2
Other operating income and expense	(75)	32	V.6.12
Recurring operating income	**30,446**	**18,818**	**-**
Other operating income and expense	(17,989)	(7,404)	V.6.6
Operating income	**12,457**	**11,414**	**-**
Share in the net income of equity affiliates	748	310	V.6.9
Net financial items	(50,109)	(40,418)	V.11.1.4.2
Income tax	1,210	(6,181)	V.12.1.5
Net income from continuing operations	**(35,694)**	**(34,876)**	**-**
Net income from discontinued operations	(9)	(204)	V.6.10
Net income	**(35,703)**	**(35,080)**	**-**
Of which net income attributable to non-controlling interests	3,406	3,879	-
Of which net income attributable to equity holders of the parent	(39,109)	(38,958)	-
EBITDA	**98,578**	**64,732**	**-**

The income statement above reflects the Group's activities over the full 12 months of 2019, as compared with the period from April to December in 2018.

The Group defines EBITDA as follows: recurring operating income plus net additions to depreciation, amortisation and provisions, along with other operating income and expense (not material).

II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in € thousands)	31/12/2019	31/12/2018	Notes
Goodwill	251,961	252,090	V.8.1
Intangible assets	346,883	369,633	V.8.1
Property, plant and equipment	355,640	322,565	V.8.2
Investments in companies accounted for under the equity method	3,128	2,380	V.6.9
Deferred tax assets	7,281	5,851	V.12.2.1
Other non-current assets	12,480	14,089	V.11.1.1
Non-current assets	**977,374**	**966,608**	**-**
Inventories	173,080	145,814	V.6.4.2
Trade receivables	48,556	106,954	V.6.3.1
Current tax assets	-	-	-
Other current assets	20,244	19,563	V.11.1.2
Cash and cash equivalents	24,209	26,485	V.11.4
Current assets	**266,090**	**298,816**	**-**
Total assets	**1,243,464**	**1,265,424**	**-**

Equity and liabilities (in € thousands)	31/12/2019	31/12/2018	Notes
Share capital	193,469	193,256	V.10.1.1
Share premiums and reserves	9,488	65,433	IV
Other comprehensive income	1,099	5,119	V.10.3
Net income for the year	(39,109)	(38,958)	-
Equity attributable to equity holders of the parent	**164,946**	**224,850**	**-**
Non-controlling interests	26,962	26,678	IV
Equity	**191,908**	**251,527**	**-**
Convertible bonds	169,911	249,236	V.10.1.2
Provisions for retirement and other employee benefit obligations	9,407	7,810	V.7.7
Other non-current provisions	-	-	-
Long-term borrowings and debt	583,518	477,105	V.11.3
Deferred tax liabilities	119,192	128,069	V.12.2.1
Other non-current liabilities	3,550	352	V.6.11
Non-current liabilities	**715,667**	**613,336**	**-**
Current provisions	127	459	V.9.1
Short-term borrowings and debt	70,126	44,796	V.11.3
Trade payables	69,146	66,077	V.11.1.3
Current tax liabilities	41	1,731	V.12.1.7
Other current liabilities	26,538	38,263	V.6.11
Current liabilities	**165,978**	**151,325**	**-**
Total liabilities	**1,243,464**	**1,265,424**	**-**

III. CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousands	2019	2018 (9 months)
Net income from consolidated companies	**(35,703)**	**(35,080)**
Net income from discontinued operations	9	204
Income tax expense	(1,210)	6,181
Financial expense	50,109	40,418
Share in the net income of equity affiliates	(748)	(310)
Operating income	**12,457**	**11,413**
Depreciation and amortisation	67,744	45,594
Additions to/(releases from) provisions	65	(270)
Additions to/(releases from) provisions for asset impairment	-	-
Losses/(gains) on sales of non-current assets	205	315
Investment subsidies taken to income	(356)	(237)
Other	654	(1,489)
Operating cash flow	**80,769**	**55,326**
Change in inventories	(27,266)	1,930
Change in trade and other receivables	58,398	(7,822)
Change in trade and other payables	3,069	(12,218)
Change in social security and tax liabilities	(1,691)	(578)
Change in other receivables and payables	(8,455)	(6,421)
Funds from operations	**104,824**	**30,217**
Interest paid	(39,134)	(16,961)
Other financial income and expense paid	58	(1,188)
Income tax paid	(6,096)	(15,042)
Cash flow from operating activities	**59,652**	**(2,975)**
Purchases of intangible assets and property, plant and equipment	(70,686)	(36,378)
Purchases of non-current financial assets	-	(769,223)
Disposals of intangible assets and property, plant and equipment	-	594
Disposals of non-current financial assets	3,060	-
Cash flow from investing activities	**(67,626)**	**(805,007)**
Financing surplus (requirement)	**(7,974)**	**(807,982)**
Capital increase (decrease)	(1,430)	196,189
Increase in bond borrowings	-	283,811
(Decrease) in bond borrowings	(123,581)	-
Increase in debt	140,993	477,000
(Decrease) in debt	(31,118)	(146,017)
Shareholder loans	-	-
Cash flow from financing activities	**(15,136)**	**810,983**
Change in net cash	(23,110)	3,002
Net cash at start of period	**9,684**	**9,684**
Change in net cash	(23,110)	3,002
Net cash at end of period	**(10,424)**	**12,686**

IV. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

In € thousands	Share capital	Share premiums and reserves	Net income for the period	Other comprehensive income	Non-controlling interests	Total equity
31/12/2018	**193,256**	**65,433**	**(38,958)**	**5,119**	**26,678**	**251,527**
Change in scope	-	-		-	-	0
Comprehensive income for the period	-	(38,958)	38,958	-	3,406	(35,703)
Capital increase	340	(340)		-	-	0
Capital decrease	(127)	(1,303)		-	-	(1,430)
Convertible bonds	-	(30,015)		-	-	(30,015)
Other movements	-	14,670		(4,020)	(3,122)	7,529
Transactions with ABI's owners	**-**	**-**		**-**	**-**	**0**
31/12/2019	**193,469**	**9,488**	**(39,109)**	**1,009**	**26,962**	**191,908**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 10 April 2018, the Company indirectly acquired all the capital and voting rights of Les Dérivés Résiniques et Terpéniques (DRT), a simplified joint-stock corporation *(société par actions simplifiée)* with capital of €19,961,200, whose registered office is located at 30 rue Gambetta, 40100 Dax and which is registered with the Dax trade and companies register under number 985 520 154, and of its direct and indirect subsidiaries and affiliates.

V.1 KEY EVENTS IN THE PERIOD

- Partial redemption and repurchase of financial instruments in July 2019:
  Because of the Group's strong performance, in July 2019 it carried out transactions to redeem and repurchase a portion of the fixed-income financial instruments subscribed by various investors including new investors, particularly convertible bonds and cumulative preferred shares issued by the Company on 10 April 2018 ("Category A Shares") in an amount of around €125,000,000. The transaction was financed by (i) the use of part of the Group's available liquidity, arising in particular from DRT's factoring programme, via a special distribution of reserves in an amount of €63,610,000 and (ii) the arrangement of an Additional Senior Facility for Alpha-Beta Participation in a principal amount of €60,000,000 (the "Additional Facility") on terms set out in the "Additional Facility Notice" signed in July 2019 by Alpha-Beta Participation.

  Accordingly, on 23 July 2019, the Group carried out the following transactions:

  - Redemption of 38.9% of the convertible bonds in a principal amount of €110,503,712 and €13,077,013 of interest, making a total of €123 million.
  - Reduction in the Company's share capital for purposes other than absorbing losses, in a nominal amount of €126,902, through the repurchase of 126,902 Category A Shares with par value of €1 each at their real value, i.e. €11.18 each, in order to cancel them.

  The aim of this financing transaction was to take advantage of favourable conditions in the external debt market, with that external debt replacing more costly borrowings from shareholders and therefore having a positive impact for the Group.

- Previously, on 10 April 2019, the Chairman, under a delegation of authority granted by the Shareholders on 10 April 2018, formally noted an increase in the Company's share capital amounting to €340,000 through the issue of 340,000 ADP 1 preferred shares, in accordance with articles L. 225-129-1 and L. 227-1 of the French Commercial Code.

- Expansion of the tax consolidation group: on 15 March 2019, Alpha-Beta International, in accordance with and in the form required by article 223 A of the French General Tax Code, decided to expand the scope of the tax consolidation group of which it is the head company, to include DRT, Action Pin, SBS, Resineland and Resimmo, from 1 January 2019. All subsidiaries gave their agreement, in accordance with and in the form required by the same provisions, to become members of the tax consolidation group.

- Transfer of registered office: the Chairman, through a decision on 10 April 2019, transferred the Company's registered office from 20 place Vendôme, 75001 Paris to 30 rue Gambetta, 40100 Dax and made the corresponding changes to the articles of association.

V.2. POST-BALANCE SHEET EVENTS

- In January 2020, DRT signed an agreement to sell its shares in the Crown Chemicals joint venture in India (CCPL) to the other partner, Anthea, which became the owner of all shares in that company. On 4 March 2020, Firmenich officially announced its plan to acquire the DRT group, including Alpha-Beta International and Alpha-Beta Participation. At the time of writing of this report, that plan was proceeding and notification procedures with respect to the competition authorities were ongoing.

- The Group's exposure to risks relating to Covid-19:

  In the context of Covid-19 and the containment measures introduced by the French authorities since mid-March, our first priority is to protect our employees and we are paying particular attention to risk management by putting in place real-time information and monitoring systems. The Group is paying close attention to how the pandemic is affecting consumption trends in its various markets and to the containment measures being adopted, which are causing an economic slowdown. At the time of writing, the financial impact is expected to be limited given the geographical diversity of the markets in which the Group operates. All appropriate actions are being examined in order to minimise the potential impact. The Group's purchasing and activities at its production sites have little exposure to the countries in which Covid-19 has spread the most. The temporary indirect consequences of a downturn in the global economy or in international travel are also limited at the moment. However, that could change depending on how the coronavirus situation develops around the world.

V.3 KEY INDICATORS

12-month business activity of Alpha-Beta International and its subsidiaries as shown by consolidated IFRS figures - comparison between 2019 and 2018:

The indicators below show a different presentation of the income statement items reported in section I, and allow their content to be detailed by type of income or expense.

In € millions	2019	2018	Difference (%)
Sales	**548.2**	**551.4**	**(0.6%)**
Rebates, allowances and discounts	(3.6)	(4.1)	(12.2%)
Selling expense	(24.8)	(23.7)	4.6%
Net revenue	**519.8**	**523.6**	**(0.6%)**
Variable expense	(298.9)	(316.3)	(5.5%)
Revenue minus variable expense	**220.9**	**207.3**	**6.6%**
Other business revenue and income	12.8	18.6	(31.2%)
Maintenance	(17.2)	(19.4)	(11.3%)
Insurance (general)	(5.2)	(4.2)	23.8%
Advertising and communication	(3.3)	(3.3)	0.0%
Other external services	(20.8)	(20.8)	0.0%
Added value	**187.2**	**178.2**	**5.0%**
Levies	(6.4)	(5.3)	20.7%
Personnel expense	(92.1)	(89.5)	2.9%
Work performed by the company for itself	9.9	8.3	19.3%
EBITDA (IFRS)	**98.6**	**91.7**	**7.5%**
Revenue minus variable expense/net revenue	**42.5%**	**39.6%**	
EBITDA/net revenue	**19.0%**	**17.5%**	

V.4 GENERAL ACCOUNTING PRINCIPLES

Alpha-Beta International (ABI) is a company incorporated in France and whose registered office is located at 30 rue Gambetta, Dax. Alpha-Beta International's consolidated financial statements for the period ended 31 December 2019 include the parent company and its subsidiaries (together referred to as the "Group" or "ABI") and the Group's interests in associated companies. ABI's main business activity is the processing of pine resin. The Group's consolidated financial statements for the year ended 31 December 2019 are available on request from the Group's registered office.

V.4.1 First-time adoption of IFRSs

The first set of financial statements prepared by the Group in accordance with IFRSs were for the period ended 31 December 2018, with a transition date of 1 January 2017. IFRS 1 provides for exemptions to the retrospective application of IFRSs on the transition date. The exemptions adopted by the Group included the following:

- Non-controlling interests: there was no change in the identified scope of consolidation;
- Business combinations: No retrospective application of IFRS 3 to any past business combination.

V.4.2 Accounting standards applied

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002, as amended by Regulation (EC) no. 297/2008 of 11 March 2008, the consolidated financial statements for the period have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

Those standards are available on the European Union's website:

http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

V.4.3 New standards, amendments and interpretations in force within the European Union and applicable to accounting periods starting on or after 1 January 2019

The Group has applied amendments of standards and interpretations that came into force on 1 January 2019 and have been endorsed by the European Union, particularly IFRS 16 "Leases":

The Group has applied IFRS 16 "Leases" since 1 January 2019. This standard replaces IAS 17 and its related interpretations (IFRIC 4, SIC 15 and SIC 27). The first-time adoption arrangements and their impact are described in section V.7.3 "Leases".

The IASB has also published the following standards, amendments and interpretations, endorsed by the European Union and mandatorily applicable as of 1 January 2019:

- Annual improvements to IFRSs, 2015-2017 cycle – various provisions
- Amendment to IAS 19: Plan Amendment, Curtailment or Settlement;
- Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Amendment to IFRS 9: Prepayment Features with Negative Compensation";
- IFRIC 23: Uncertainty over Income Tax Treatments.

These texts published by the IASB have not had any material impact on the Group's financial statements.

V.4.4 Changes to the accounting standards applicable to the Group

The Group did not apply early any other standards, amendments or interpretations applicable to periods starting after 31 December 2019, whether or not they have been endorsed by the European Union.

V.4.5 Functional currency and presentation

The consolidated financial statements are reported in euros, which is ABI's functional and reporting currency. All financial data presented in euros are rounded to the nearest thousand euros.

V.4.6 Use of estimates and judgement

When preparing the consolidated financial statements, the Group's management uses its judgement to define the accounting treatment of certain transactions where the standards and interpretations in force do not precisely address the accounting issues concerned.

V.4.7 Information allowing comparisons between financial statements

The ABI group has prepared its consolidated financial statements in accordance with IFRSs since 10 April 2018, when it acquired its stake in the DRT group. The 2019 income statement represents 12 months of activity. The comparative information relates to a 9-month period from 1 April to 31 December 2018. By convention, the first 10 days of April have been included in income for the period to take account the most recent financial information available dating from 31 March 2018.

To present comparative 12-month data, proforma consolidated income statements have been prepared for 2018 and 2019 and are shown in note V.3 "Key indicators".

V.4.8 Changes in accounting policies

As stated in note V.4.3 "New standards [...] applicable to accounting periods starting on or after 1 January 2019", the Group has applied IFRS 16 "Leases" since 1 January 2019. The first-time adoption arrangements are described in section V.7.3 "Leases". This change resulted in a €7,828 thousand increase in property, plant and equipment and long-term debt at 31 December 2019 and a €4,128 thousand positive impact on Group EBITDA in 2019, with the cancellation of lease payments presented mainly as a decrease in variable expense.

The presentation of the Group's consolidated financial statements for 2019 is identical to that of the consolidated financial statements for 2018 with the exception of the following items.

- Foreign exchange gains and losses associated with an underlying operating exposure:
  to make the financial statements easier to understand, foreign exchange gains and losses resulting from purchases of raw materials and sales of finished products, along with the results of settled capital market transactions associated with those cash flows have, since 2019, been recognised under variable income/expense (foreign exchange gain of €3.5 million). They were presented in other operating income and expense in 2018 (foreign exchange gain of €4.4 million).

- Reclassification of the provision resulting from category 1 preferred ("ADP 1") shares:
  the provision resulting from category 1 preferred ("ADP 1") shares – which amounted to €2.7 million at 31 December 2018, recognised under other operating income and expenses and classified under "Current liabilities" – was reclassified under "Non-current liabilities". At 31 December 2019, it amounted to €3.2 million.

V.4.9 Finalisation of the financial statements

The financial statements and management report of the Group and Company were finalised by the Chairman on 2 April 2020.

V.5 SCOPE OF CONSOLIDATION

V.5.1 Consolidation principles

Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists where the Company has the power to govern directly or indirectly the financial and operating policies of the entity in order to derive benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control starts until the date the control ends.

Interests in equity affiliates

Entities over which the Group has significant influence, directly or indirectly, are accounted for using the equity method. The equity method consists of substituting, for the carrying amount of the shares held in an associate or jointly controlled entity, the cost of purchasing the shares adjusted for the Group's share of the change in the entity's net assets since its acquisition.

Transactions eliminated in the consolidated financial statements

Balance-sheet balances along with transactions, income and expense resulting from intragroup transactions are eliminated. Gains resulting from transactions with equity affiliates are eliminated under investments in equity affiliates in line with the Group's interest in the entities concerned. Losses are eliminated in the same way as gains, but only to the extent that they do not represent impairment losses.

V.5.2 Foreign currency translation methods

Transactions in foreign currencies

The recognition and measurement of transactions denominated in foreign currencies are defined by IAS 21 "Effects of changes in foreign exchange rates". Transactions denominated in currencies other than the euro are translated at the exchange rate on the transaction date. At period-end, monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rate. The resulting translation differences are recognised as foreign-exchange income/(expenses) under "net financial items". Where assets and liabilities are related to trade receivables and payables, the resulting exchange difference was recognised under other operating income expense until 2018 but is now recognised under variable expense (see section V.3.8 "Changes in accounting policies").

Financial statements of foreign activities

The functional currencies of foreign companies are their local currencies, in which most of their transactions are denominated. Their balance sheets are translated into euros on the basis of exchange rates on the accounts closing date. Income statements and cash flow statements are translated at the average exchange rate for the period. Differences resulting from the translation of those subsidiaries' financial statements are recorded under "Exchange differences" under "Other comprehensive income" in the consolidated financial statements for the portion attributable to the Group and under "Non-controlling interests" for the portion not directly or indirectly attributable to the Group. Exceptionally, some companies may have a functional currency that differs from their local currency.

V.5.3 Business combinations

All business combinations are accounted for using the purchase method. Business combinations are measured and recognised in accordance with IFRS 3 revised: the transferred consideration (acquisition cost) is measured as the fair value of assets transferred, equity issued and liabilities assumed on the date of the acquisition. The identifiable assets and liabilities of the acquired company are measured at their fair value on the acquisition date. Expenses that are directly attributable to the acquisition are recognised as expenses, except for costs related to the issue of equity instruments.

V.5.4 Scope of consolidation at 31 December 2019

Alpha-Beta Participation, which held 100% of DRT's shares, sold 150 of its shares to DRT's employee savings mutual fund (FCPE DRT) on 7 June 2019, reducing its control over and interest in DRT to 99.70%.

In addition, to streamline and simplify the structure of the companies controlled by DRT, while also reducing administrative and commercial management costs, Resineland was merged with DRT. That decision was approved on 22 July 2019 by the shareholders of DRT and Resineland, which also formally noted the winding-up of Resineland by operation of law.

Consolidated companies at 31 December 2019:

Company	Registered office	Country	SIREN number	% control	% interest
Alpha-Beta International SAS (ABI)	30 Rue Gambetta Dax 40100		833 883 770		
Alpha-Beta Participation SASU (ABP)	30 Rue Gambetta Dax 40100		831 987 961	100%	100%
Action Pin SA (Action Pin)	30 Rue Gambetta Dax 40100		399 412 683	99.70%	99.70%
Action Pin SPRL	10 Rue du Follet Boite 004 7540 Kain		BE 0646.828.365	99.70%	99.70%
Action Pin SARL	Lachenal Rue du Rhône 65 1204 Geneva		CHE-234.052.409	99.70%	99.70%
Ahlborn & Bartelt Gmbh	Lippeltstr. 1 Hamburg 20097		10193431	99.70%	99.70%
Crown Chemicals Pvt. Limited (CCPL)	E 87, E 88/1, E 88/2, Tarapur MIDC, Palghar – 401506		U24110MH1984PTC033855	49.85%	49.85%
DRT America Inc. (DRT America)	400 Governor Treutlen Dr Rincon, Georgia, 31326		91-1873489	99.70%	99.70%
DRT America Limited Liability Company (DRT America LLC)	400 Governor Treutlen Dr Rincon, Georgia, 31326		47-1590006	99.70%	99.70%

DRT Anthea Aroma Chemicals Pvt. Limited (DRT Anthea)	502, Fifth Floor, Sigma It Park, Plot No 203 And 204, Midc Rabale - Navi Mumbai, Mahārāshtra, 400701		U24110MH2008PTC179684	49.85%	49.85%
DRT Approvisionnement Biomasse SAS (DRT AB)	30 Rue Gambetta Dax, Landes, 40100		797,590,288	64.09%	64.09%
DRT Comercio Internacional Ltda (DCI)	Avenida Coronel Santa Rita, 2677 – Sala 2 - Rocio Paranaguá - PR 83221-675		CEP 01.242-000	99.70%	99.70%
DRT India LLP	19, Adi Murzban Path, Ballard Estate, Fort, Mumbai, Mahārāshtra, 400001		AAMFD5550A	99.30%	99.30%
DRT Specialty Chemicals Wuxi Co. Ltd (DRT Wuxi)	No.100, Meiyu Road, Lot B31-E, State Hi-Tech Industrial Developm Wuxi, Jiangsu, 214028		9132021478236425W	99.70%	99.70%
Fider SA (Fider)	30 Rue Gambetta Dax, Landes, 40100		391 317 625	49.85%	49.85%
Les Dérivés résiniques et Terpéniques (DRT)	30 Rue Gambetta Dax, Landes, 40100		985 520 154	99.70%	99.70%
Pinova Inc. (Pinova)	2801 Cook St Brunswick, Georgia, 31520-6160		27-1224226	99.70%	99.70%
Purextract	No.100, Meiyu Road, Lot B31-E, State Hi-Tech Industrial Developm Wuxi, Jiangsu, 214028		913202140915203424	99.70%	99.70%
Resimmo SCI	30 Rue Gambetta Dax, Landes, 40100		815 063 037	99.70%	99.70%
Société béarnaise de synthèse SASU (SBS)	30 Rue Gambetta Dax, Landes, 40100		407 724 426	99.70%	99.70%
Suomen Tarpatti Oy (STO)	Saarikorventie 12, 33420 Tampere,		2555936-1	99.70%	99.70%
Tecnal Corp.	9056 North Texas Road, Anacortes, WA 98221		91-1564866	99.70%	99.70%
Watt Burgas OOD (Watt Burgas)	56 Zar Simeon STR 8000 Burgas		201721158	79.76%	79.76%
Watt Burgas OOD KD (Watt Burgas)	56 Zar Simeon STR 8000 Burgas		201726739	79.76%	79.76%
Willers Engel & Co GmbH (WECO)	Grimm 8		17/081/01652	99.70%	99.70%

	Hamburg, 20457				

All consolidated companies have a 31 December financial year-end except for DRT-Anthea Aroma Chemicals and Crown Chemicals, which have a 31 March year-end. Their figures were consolidated on the basis of information determined and certified as at 31 December.

Companies accounted for under the equity method:

Company	Registered office	SIREN number	% control	% interest
Sapiranguy S.A	33 Avenida Federico Boyd Panama	219120	37.69%	37.69%
Biomass Energy Solutions VSG SAS (BESVSG)	18 Rue Thomas Edison 33610 Canéjan	789 648 912	36.88%	36.88%

V.5.5 Off-balance sheet commitments related to the scope of consolidation

Type of commitment	Beneficiary	Amount in euros
Guarantee	Customs office	176,004
Guarantee	DREAL (regional department for the environment, town planning and housing)	4,720,333
Guarantee	Agence de l'Eau Adour-Garonne (Adour-Garonne water authority)	897,845
Total		**5,794,182**

- Guarantees granted to the customs office cover customs clearance fees relating to the import/export operations of French companies.
- Guarantees granted to DREAL are intended to cover the French state against the possibility of the Group failing to pay expenses related to supervising and ensuring the safety of facilities in the event of exceptional circumstances that may affect the environment, and to action taken in the event of an accident or pollution at the French production sites of Vielle Saint Girons, Castets, Lesperon, Action Pin and SBS.
- The guarantee granted to Agence de l'Eau Adour-Garonne is intended to cover the beneficiary against any failure to repay the advance provided.
- In addition, there are the guarantees and pledges made as part of the "Senior Facilities Agreement": as a prior condition for providing the Additional Facility, the Additional Facility Notice provides that certain assets of the Company and Alpha-Beta Participation (i.e. the securities account held by Alpha-Beta Participation in the Company's name, the securities account held by DRT in the name of Alpha-Beta Participation, bank accounts in France and Alpha-Beta Participation's intragroup receivables) are pledged to lenders under the Additional Facility and, as the case may be, to the hedging banks ranking after the pledges dated 10 April 2018 on the same assets ("Second-Ranking Security Documents").

V.5.6 Related parties

The parent company's transactions with Group subsidiaries and related parties

Transactions between consolidated companies are eliminated in the consolidation process. In addition, in its normal course of business, the Group maintains business relationships with certain non-consolidated or equity-accounted companies. DRT has granted a loan to BESVSG, in which the Group owns a 36.88% stake. The outstanding amount of that loan was €2,101,970 at 31 December 2019. It bears interest at 5% per year. No repayment of principal or interest took place during the period.

No arm's length transactions took place.

In 2019, the wholly owned French companies DRT, Action Pin, SBS and Resimmo joined the tax consolidation group formed by ABI and ABP in 2018.

V.6 OPERATING ACTIVITY

V.6.1 Income from ordinary activities

Income from ordinary activities consists of revenue and other business income. It was recorded over a period of 12 months in 2019 and 9 months in 2018, i.e. from 1 April to 31 December 2018.

Revenue

Revenue is measured as the fair value of the consideration received or receivable with respect to goods sold as part of the Group's business activities. It is recognised net, after the deduction of any rebates, allowances and discounts offered to customers. Revenue include sales of finished products and services related to those products, sales of merchandise and invoiced transport costs. Revenue is recognised when the risks and rewards incidental to ownership of the goods, as well as control, have been transferred to the buyer.

In € thousands	**2019**	**2018**
Sales of manufactured goods	521,052	372,531
Sales of merchandise	23,600	40,867
Revenue	**544,652**	**413,398**

Other business income

Other business income corresponds to the fair value of the consideration received or receivable with respect to services sold as part of the Group's business activities. Those services include sales of waste, the letting of real estate, sales commissions, subsidies, sales of letters of access to studies that belong to the Group under the REACH system, industrial processing services and miscellaneous services.

Under IAS 12, the portion of the CIR research tax credit covering R&D expense is recognised under other business income.

In € thousands	**2019**	**2018**
Sales of waste	319	188
Letting of real estate	21	41
Commissions on sales	38	63
Subsidies	724	419
Sales of letters of access	2,504	3,062 *
CIR tax credit	1,591	1,149
Industrial processing	2,504	-
Miscellaneous services	2,171	-
Other business income	**9,956**	**4,922**

(*) This includes sales of letters of access, miscellaneous services and industrial processing.

V.6.2 Selling expense

Selling expense comprises expense incurred by the Group in selling goods and merchandise, i.e. transport costs, commissions and accounts receivable insurance premiums.

In € thousands	**2019**	**2018**
Transport costs	(22,823)	(17,645)
Commissions	(1,345)	(927)
Credit insurance	(654)	(369)
Other business income	**(24,822)**	**(18,942)**

V.6.3 Trade and other receivables

Trade receivables are current financial assets that are initially recognised at fair value and subsequently at amortised cost less any impairment losses. The Group strives to collect the maximum amount of trade receivables, using reverse factoring and accounts receivable insurance. In addition, under IFRS 9 and as part of the first-time adoption of IFRSs, the Group's credit risk was assessed as not material.

V.6.3.1 Net value of trade and other receivables

DRT entered into a factoring agreement with BNP Paribas Factor on 27 May 2019. Under that agreement, DRT assigns without recourse its trade receivables from debtors previously approved by BNP Paribas Factor. Approval depends on coverage under the credit insurance policy, the purpose of which is to cover against the risk of non-payment. Assigned receivables amounted to €41 million at 31 December 2019, and the maximum authorised amount under the agreement is €90 million.

After assessing the characteristics of the agreement, which transfers substantially all the risks and benefits associated with the assigned receivables, the Company took the view that those receivables should be deconsolidated.

As a result, assigned receivables due after 31 December 2019, in relation to which substantially all the risks and benefits have been transferred and so no longer feature on the asset side of the balance sheet, along with the corresponding funding, are as follows:

In € thousands	**31/12/2019**
Funding	40,983
Guarantee fund	(3,020)
Cash received as consideration for the assignment of receivables excluding factoring expenses and interest	37,963
Assigned receivables and amounts deducted from assets	(40,983)

The remaining trade receivables break down as follows:

In € thousands	2019	2018
Trade receivables	49,882	107,353
Receivables from related parties	464	1,273
Advances paid and credit notes to be raised	(1,790)	(1,672)
Other operating items	-	-
Total	**48,556**	**106,954**

V.6.3.2 Change in impairment of trade and other receivables

In € thousands	2018	Increase	Decrease	Other movements	2019
Provisions for trade receivables	80	13	73	-	20
Provisions for other operating receivables	-	-	-	-	-
Total	**80**	**13**	**73**	**0**	**20**

V.6.4 Inventories and purchases consumed

V.6.4.1 Inventories

In the consolidated financial statements, inventories are measured at the lower of cost and net realisable value in accordance with IAS 2 "Inventories". The cost of inventories is generally determined using the weighted average cost method. The cost of manufactured product inventories includes the cost of raw materials, direct labour and an allocation, based on normal production capacity, of indirect production costs and depreciation. Start-up costs and general and administrative expenses are not included in the cost price of manufactured product inventories. Net realisable value is the estimated selling price in the ordinary course of business less estimated completion and selling costs.

V.6.4.2 Net value of inventories

In € thousands	2019	2018
Raw materials and packaging	24,475	31,429
Semi-finished products, work in progress and recoverable waste	18,362	16,059
Finished goods	127,034	94,687
Merchandise	1,134	1,498
Supplies of spare parts	2,075	2,141
Total	**173,080**	**145,814**

V.6.4.3 Change in impairment of inventories

In € thousands	2018	Increase	Decrease	2019
Raw materials and packaging	-	-	-	-
Semi-finished products	-	-	-	-
Finished products	1,356	1,882	1,071	2,167
Merchandise	-	-	-	-
Supplies of spare parts	36	-	-	36
Total	**1,392**	**1,882**	**1,071**	**2,203**

V.6.4.4 Variable expense

Variable expense includes raw materials, reagents, packaging, utilities and consumable materials consumed, associated transport and storage costs, and the cost of processing waste arising directly from operations. This item includes cost variance, including variance in industrial costs and in the purchasing prices of raw materials, along with changes in semi-finished and finished product inventories during the period.

In addition, under IFRS 9, currency translation gains and losses directly relating to sales of finished products or purchases of raw materials in foreign currencies are now recorded under variable expense so that the contribution margin reflects the actual exchange rate at which foreign-currency purchases and sales were translated. Those transactions were previously included under other operating income and expense.

In € thousands	2019	2018
Consumption of raw materials, subcontracting and energy	(334,339)	(227,827)
Change in inventories of semi-finished and finished products	34,468	(15,606)
Translation gains (losses) on commercial transactions	2,752	-
Total	**(297,118)**	**(243,433)**

V.6.5 Fixed costs

For accounting purposes, insurance, external costs, personnel costs, maintenance and improvement costs, advertising and communication costs, miscellaneous income and expense transfers are regarded as fixed costs that are not proportional to business activity. The income statement groups these cost elements by functional category. Given the Group's business activities, three categories have been adopted:

- Direct non-proportional costs, which comprise all the above expenses that are directly attributable to manufacturing activities.
- Research and development (R&D) costs, which comprise costs attributable to the R&D laboratories.

- General and administrative costs, which comprise costs attributable to support, administrative, commercial, marketing, human resources, finance and IT services.

V.6.6 Other operating income and expense

Other operating income and expense includes components of income that, due to their nature, amount or frequency, cannot be considered as forming part of the Group's recurring business activities and operating income.
It includes:

- Costs related to changes in scope (fees relating to the purchase of shares, remeasurement of shares held before the purchase, gains/losses on disposals of consolidated companies etc.);
- Restructuring costs related to a material reorganisation of business activities (reduction in production capacity, market closure);
- Material and non-recurring litigation;
- Impairment of trademarks and goodwill;
- Capital gains/(losses) on material disposals of non-current assets;
- Any external event temporarily affecting the continuation of manufacturing activity.

In € thousands	**2019**	**2018**
Financial restructuring costs	(354)	(11,867)
Change in the fair value of exchange-rate and interest-rate financial instruments (see note on changes in presentation)	-	6,017
Translation gain/loss on the settlement of commercial transactions (see note on changes in presentation)	-	(1,660)
Disposals of industrial and financial assets	(205)	106
Special staff bonuses, contributions related to the employee savings mutual fund, other staff benefits	(2,241)	-
Jobworks India	(6,000)	
Weather effects	(4,463)	
Non-recurring fees	(4,559)	
Other	(167)	106
Other operating income and expenses	**(17,989)**	**(7,404)**

- The "Jobworks India" item corresponds to the loss of gross profit resulting from subcontracting arrangements to ensure the continuity of deliveries to the Group's customers following the fire at the Roha production site in India in February 2018.
- The "Weather effects" item includes costs and the loss of gross margin resulting from stoppages at the Brunswick and Rincon plants in the United States following Hurricane Dorian in September 2019.
- The "Non-recurring fees" item corresponds to the cost of studies, services and occasional and non-recurring assignments not directly linked to recurring operating activities.

V.6.7 Segment reporting

In accordance with IFRS 8 "Operating segments" and taking into account the Group's internal management and reporting organisation, the Group carries out segment reporting by business sector. Assets are not organised by market but by entity and geographical zone. It is therefore not possible to draw up balance sheets for each operating segment. DRT's operating segments are as follows: fragrances, adhesives, chemical intermediates, coatings-elastomers, chewing gum, health and nutrition, agriculture, Action Pin, energy and other.

In € thousands	Fragrances	Adhesives	Chemical intermediates	Coatings-elastomers	Chewing gum	Health and nutrition	Agriculture	Action Pin	Energy	Other	Total
Revenue	174,472	124,402	24,253	59,612	40,597	23,335	12,393	43,405	15.1178	27,004	544,652
Other business income	3,115	2,221	433	1,064	725	417	221	1,006	271	482	9,956
Income from ordinary activities	**177,586**	**126,623**	**24,686**	**60,676**	**41,322**	**23,751**	**12,615**	**44,412**	**15,449**	**27,486**	**554,607**
Selling expense	(8,278)	(5,902)	(1,151)	(2,828)	(1,926)	(1,107)	(588)	(1,040)	(720)	(1,281)	(24,822)
Variable expense	(101,600)	(62,317)	(15,462)	(32,939)	(22,463)	(5,096)	(6,003)	(18,830)	(9,034)	(23,374)	(297,118)
Contribution margin	**67,708**	**58,404**	**8,073**	**24,909**	**16,933**	**17,548**	**6,024**	**24,542**	**5,695**	**2,831**	**232,667**

The geographic breakdown of revenue is as follows:

In € thousands	2019		2018	
France	102,917	19%	120,230	22%
Europe excluding France	222,470	41%	145,564	42%
Asia	83,412	15%	68,520	17%
Americas	125,158	23%	75,705	18%
Rest of the world	10,694	2%	3,379	1%
Total	**544,652**	**100%**	**413,398**	**100%**

The table below summarises revenue by delivered customers' geographical zone. Europe remains the main zone in which the Group makes deliveries to customers, with revenue totalling €325 million in 2019, 60% of the total. Only the Firmenich group represents more than 10% of the Group's consolidated revenue.

V.6.8 Investments in companies accounted for under the equity method

The Group owns 36.88% of Biomass Energy Solutions Vielle Saint-Girons (BESVSG) and 37.69% of Sapiranguy, which were accounted for under the equity method in an amount of €2,128,000 at the end of 2019.

V.6.9 Associates

In € thousands	2019				2018			
	% stake	Value under the equity method	Share of income (loss)	Revenue	% stake	Value under the equity method	Share of income (loss)	Revenue
Sapiranguy	37.69	-	-	-	37.90	-	-	-
BESVSG	36.88	3,128	748	21,316	36.90	2,380	310	17,619
TOTAL		**3,128**	**748**	**21,316**		**2,380**	**310**	**17,619**

Brazilian company Sapiranguy makes citronella and cabreuva essential oil. Its financial statements are in USD and were converted at the exchange rate on 31 December 2019. The value of the Group's stake is measured at €426,000. The company has been dormant for several years and the value of the Group's stake has been written down in full.

Biomass Energy Solutions Vielle Saint-Girons (BESVSG) operates a combined heat and power biomass boiler in Vielle Saint-Girons. It produces steam that is used in the plant operated by DRT and electricity that is fed into the ERDF/Enedis grid as part of the CRE 4 programme. The fuel comes from biomass residues from DRT's industrial activities and pine trees from the Landes forest.

The value of the Group's stake in BESVSG has been replaced on the asset side of the consolidated balance sheet by the portion of its remeasured net equity, if any, attributable to the Group.

V.6.10 Net income from discontinued operations

The Group owns 70% of Ixxi, which specialises in producing and selling cosmetic products based on active ingredients extracted from pine trees. Given heavy losses and in view of the considerable investment required to achieve long-term financial balance, the executive committee met on 13 September 2017 and decided to discontinue all of the company's activities on a permanent basis. Its assets were sold and administrative work on the closure continued in 2019. Under IFRS 5, Ixxi's income statement items were recorded as a loss of €9,000 in the "Net income from discontinued operations" item.

V.6.11 Other liabilities

Investment subsidies are recognised under "Other liabilities" (current or non-current) and subsequently taken to income under "Other business income" on a straight-line basis over the useful life of the asset concerned. Operating subsidies are taken directly to income in the same item. Similarly, CIR research tax credits are recorded under "Other current liabilities" and subsequently taken to income under "Other business income" on a straight-line basis over five years, at the same rate as the amortisation of capitalised R&D expenses.

Liabilities to employees are broken down between other current and non-current liabilities depending on whether they are due in the short term or in more than one year.

The provision resulting from category 1 preferred ("ADP 1") shares – which amounted to €2.7 million at 31 December 2018, recognised under other operating income and expenses and classified under "Current liabilities" – was reclassified under "Non-current liabilities". At 31 December 2019, it amounted to €3.2 million.

In € thousands	2019	2018
Other non-current liabilities		
Investment subsidies	400	352
Liabilities to employees	3,150	
Total other non-current liabilities	**3,550**	**352**
Other current liabilities		
Liabilities to employees	7,880	8,498
Mandatory employee profit-sharing	2,813	5,190
Liabilities to employee benefit organisations	9,725	13,024
Prepaid CIR research tax credit	2,954	2,678
Liabilities to the State	1,990	3,533
Fair value of exchange-rate and interest-rate financial instruments	1,002	2,279
Miscellaneous liabilities	173	3,061
Total other current liabilities	**26,538**	**38,263**
Total other liabilities	**30,088**	**38,615**

V.6.12 Other operating income and expense

In € thousands	2019	2018
Patent royalty expense	(13)	(38)
Impairment of receivables not provided for	(24)	(141)
Other recurring income and expense	(38)	211
Other operating income and expense	**(75)**	**32**

V.6.13 Greenhouse gas emission quotas

Phase 3 of France's national quota allocation plan (NQAP), pursuant to the Kyoto protocol signed by the French State in 1997, is currently in force for the 2013-2020 period. The Saint-Girons site was given a free allocation of 47,013 tonnes of CO_2 by the State in 2019. Transactions are recorded in the financial statements according to accounting rules in force.
The table below summarises movements in phase 3.

(tonnes)	2013	2014	2015	2016	2017	2018	2019
CO_2 emissions	29,466	29,869	12,183	12,502	15,457	20,431	14,313
Allocated quotas	52,653	51,738	50,813	49,878	48,933	47,979	47,013
Unused quotas	23,187	21,869	38,630	37,376	33,476	27,548	32,700
Quotas left over from phase 2	41,902	-	-	-	-	-	-
Sales of quotas	-	20,000	20,000	-	-	60,000	140,000
Purchases of quotas	-	-	-	20,000	-	-	-

Cumulative unused quotas	**65,089**	**66,958**	**85,588**	**142,964**	**176,440**	**143,988**	**36,688**

Quotas allocated with respect to 2020, the last year of NQAP phase 3, totalled 46,043 tonnes.
So far, DRT has received free allocations of quotas from the government that have exceeded its requirements as the table above shows.

The cumulative balance of unused quotas at end-2019 was 36,688 tonnes. No value is assigned to them on the balance sheet because their cost was nil.

V.7 EMPLOYEE EXPENSE AND BENEFITS

V.7.1 Employee benefits

Employee benefits are measured in accordance with IAS 19 revised, which has been applicable since 1 January 2014. They consist of short-term and long-term benefits. Group employees enjoy short-term benefits such as paid leave, sick leave, bonuses and termination benefits payable within 12 months of the end of the period during which they provided the corresponding services. Those benefits are recognised under current liabilities and recorded as expenses in the period in which the employee provided the service.

There are two categories of long-term employee benefits:

- Post-employment benefits such as payments upon retirement and supplementary pension payments;
- Other long-term benefits (during employment) including long-service benefits.

The expected cost of those benefits is recognised under employee expenses throughout the time the employee works for the company ("current service cost").

In € thousands	**2019**	**2018**
Wages and salaries	66,949	47,298
Social security expenses	23,952	18,317
Mandatory employee profit-sharing	522	2,644
Current service cost	690	459
Employee expenses	**92,113**	**68,718**

V.7.2 Provisions for pensions and similar obligations

As stated in the note on "Employee benefits", long-term benefits relating to defined-benefit plans create an obligation that is recognised under provisions for pensions and similar obligations. Provisions for pensions equal the present value of the obligations minus the fair value of any assets paid into funds intended to finance them. A surplus of assets is only recognised where it represents future economic benefits that are effectively available to the Group. The provision for other long-term benefits equals the present value of obligations.

These provisions are based on valuations carried out by independent actuaries according to the projected unit credit method and based on final salaries. These valuations also factor in macroeconomic assumptions specific to each country in which the Group operates (discount rate, rate of salary increase) and demographic assumptions (staff turnover rate, retirement age, life expectancy). Discount rates are determined with reference to the yields on top-quality corporate bonds with maturities equivalent to those of the obligations on the measurement date.

Actuarial gains and losses arise when differences are observed between actual figures and previous estimates, or following changes in actuarial assumptions. Actuarial gains and losses are recognised in the statement of comprehensive income, net of deferred tax.

Where plan benefits change, or if a plan is curtailed, the impact associated with employees' past service or the gain or loss related to the plan curtailment is recognised immediately in income. The Group recognises gains and losses relating to the settlement of a defined-benefit plan at the time the settlement occurs.

Actuarial calculations of employee benefits are carried out by an independent actuary and recognised as follows:

- On the balance sheet
  The amount of liabilities recognised with respect to defined benefits appears under "Employee benefits" and equals:
    - The present value of the defined-benefit obligation at the balance sheet date,
    - Less the fair value at the balance sheet date of plan assets used solely to pay for or finance obligations,
    - Less payments made.
- The other components of the change in provisions are recognised in the following items of the income statement:
    - Current and past service cost: employee expenses (recurring operating income),
    - Net interest expense on the net liability (financial expense).

V.7.3 Description of benefit plans

Under these plans, contributions are made periodically to external organisations, which carry out the administrative and financial management of the plans. These plans free the employer from any subsequent obligation. The organisation has the responsibility to pay employees the amounts to which they are entitled (basic social security plan, complementary ARRCO and AGIRC plans, defined-benefit pension funds for certain foreign subsidiaries).

The Group's payments are recognised as expenses as follows:

In € thousands	**2019**	**2018**
Pension contributions	5,194	3,198

The Group's employee benefit plans mainly consist of the following.

- Post-employment benefits:
    - End-of-career bonuses (in France), which are one-off benefits based on the employee's length of service and his/her annual salary at the time of retirement, required under the chemical industry's national collective agreement.
- Other long-term benefits:
    - Long-service benefits in France. However, this item was deemed non-material when the Group adopted IFRSs.

V.7.4 Main actuarial assumptions used in valuations

Actuarial valuations are based on a certain number of long-term assumptions. These assumptions are reviewed annually, and are as follows:

France	2019	2018
Retirement age		
Executives and senior management	65	65
Non-managerial staff	62 years	62 years
Discount rate for end-of-career bonuses	0.80%	1.70%
Rate of salary increase (*)	2%	2%

(*) Not inflation-adjusted

The TGHF 2005 mortality table is used for obligations concerning France. The discount rate is based on the iBoxx € Corporates AA10+ and AA7-10 indices (depending on the maturity of obligations estimated on the valuation date). The index is based on a basket of bonds issued by financial and non-financial corporations.

V.7.5 Sensitivity of liabilities to the discount rate

A change of +/- 0.50 points in the discount rate has the following effect on the present value of accumulated rights at 31 December:

Pension liabilities in France (in € millions)	**2019**	**2018**
0.50-point increase	(791,609)	(649,394)
0.50-point decrease	866,010	708,496

A change of +/- 0.50 points in the rate of salary increase has the following effect on the present value of accumulated rights at 31 December:

Pension liabilities in France (in € millions)	**2019**	**2018**
0.50-point increase	851,029	702,781
0.50-point decrease	(786,417)	(650,672)

V.7.6 Summary of benefit plans' financial position

The breakdown of plan assets and the rate of return are as follows:

French companies	**2019**	**2018**
Bonds	0	0

Equities	0	0
Real estate	0	0
Other assets (*)	3,696,909	3,149,521
Cash	0	0
Interest rate for assets	1.70%	1.70%

(*) Mainly insurance policies.

V.7.7 Details of and changes in obligations

Changes in the main benefits during 2018 and 2019 were as follows:

In € thousands	Payments on retirement	
	2019	2018
Gross obligations		
Start of period	10,959	10,441
Current service cost	690	459
Gain on plan settlements	0	0
Benefits paid out	(497)	(467)
Interest expense	197	122
Restructuring and asset sales	0	0
Expense in the period	**390**	**114**
Change in scope	0	0
Exchange differences	0	0
Actuarial loss/(gain)	1,659	404
End of period	13,008	10,959

Market value of assets allocated to plans		
Start of period	3,150	3,414
Expected return on plan assets	51	37
Employer contributions	833	0
Benefits paid out	(337)	(322)
Income for the period	0	0
Actuarial loss/(gain)	0	21
End of period	3,697	3,150

Liabilities relating to pensions and other benefits	**9,311**	**7,809**

After two retirement savings plans were merged in late 2018, €833,000 was transferred to plan assets and is presented above under employer contributions in 2019. Those employer contributions, initially recognised as expenses in previous periods (and so not taken into account in the market value of assets allocated to the end-of-career bonus plan in 2018), were recognised in line with their initial recognition through income for the period and a deduction from current service cost in the period.

V.8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

V.8.1 Goodwill and other intangible assets

V.8.1.1 Goodwill

Goodwill is initially recognised at the time of a business combination as described in the note on "Business combinations". After initial recognition, goodwill is not amortised but is subject to impairment tests whenever any indication of impairment appears, and at least once a year.

V.8.1.2 Patents and licences

Patents and licences are amortised on a straight-line basis over their legal protection period. Software is amortised on a straight-line basis over its useful life, which is between 1 and 10 years.

V.8.1.3 Development costs

In accordance with IAS 38 "Intangible assets", development costs are capitalised if the company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it,
- Its ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development,
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Research and development costs that do not meet the above criteria are recognised as expenses in the period in which they are incurred. Capitalised development costs that meet the above criteria are recognised as assets on the balance sheet. They are amortised on a straight-line basis over their useful lives.

Expenditure thus capitalised includes direct labour costs and an appropriate proportion of overheads.

Capitalised development costs are recognised at cost less accumulated amortisation and less any impairment losses.

V.8.1.4 Trademarks

The method for valuing acquired trademarks, such as those of Action-Pin, Pinova and DRT, is the relief from royalty method.

V.8.1.5 Customer portfolio

The value of the customer portfolio corresponds to the income that is likely to be generated from that portfolio in the future. "Portfolio" is a fairly broad concept: in particular, the portfolio being valued does not correspond solely to signed contracts, but to the overall relationships that the Group maintains with its customers. However, the customer portfolio does relate solely to existing customers.

To value the Group's customer portfolio, the "excess profit" method is used. On that basis, and based on the methodology used, the value of the customer portfolio was measured at €363 million. This intangible asset is amortised over 15 years.

V.8.1.6 CIR research tax credits

The portion of CIR tax credits based on expenditure that meets IAS 38 criteria is recorded as a deduction from development expenses and added to "other business income" at the same rate as the rate of amortisation for developed assets.

V.8.1.7 REACH

The term "REACH" refers to "Registration, Evaluation, Authorization and restriction of CHemicals". It is the name of a regulation of the European Parliament and of the Council adopted on 18 December 2006, which modernises European legislation regarding chemicals substances and introduces a single integrated system for the registration, evaluation and authorisation of chemicals in the European Union.

Based on IAS 38 and the lack of specific interpretations by the IFRS IC on this matter, the Group has adopted the following policies:

- Where most tests required to compile the registration dossier are performed by a third party, the Group recognises a right-of-use asset under intangible assets;
- Where work on compiling dossiers is mainly carried out in-house or subcontracted, the Group recognises development costs as intangible assets where they meet the criteria of IAS 38.

Changes in goodwill and other intangible assets are analysed below:

In € thousands	Goodwill	Development costs, trademarks and patents	Customer portfolio	Software and software development	Other intangible assets	Total
Gross value at 31/12/2018	**252,349**	**31,681**	**363,395**	**9,764**	**144**	**657,333**
Change in scope	-	-	-	-	-	0
Acquisitions	-	6,458	-	2,961	-	9,419
Disposals	-	(171)	-	(27)	-	(198)
Other movements	-	-	-	-	-	0
Gross value at 31/12/2019	**252,349**	**37,968**	**363,395**	**12,698**	**144**	**666,554**
Cumulative amortisation and impairment at 31/12/2018	**(259)**	**(15,010)**	**(18,170)**	**(2,124)**	**(47)**	**(35,610)**
Change in scope	-	-	-	-	-	0
Additions to amortisation	(129)	(6,010)	(24,226)	(1,066)	-	(31,431)
Reductions in amortisation	-	-	-	-	-	0
Impairment of intangible assets	-	-	-	-	-	-
Other movements	-	(667)	-	-	-	(667)
Cumulative amortisation and impairment at 31/12/2019	**(388)**	**(21,687)**	**(42,396)**	**(3,190)**	**(47)**	**(67,708)**
Net value at 31/12/2019	**251,961**	**16,281**	**320,999**	**9,508**	**97**	**598,844**

V.8.2 Property, plant and equipment

In accordance with IAS 16 "Property, plant and equipment", only items controlled by the company whose cost can be determined reliably, from which it is probable that future economic benefits will flow to the Group and which are used for a period of more than one accounting period are recognised as property, plant and equipment. Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated in line with the rate at which the expected economic benefits are consumed in each asset category, on the basis of purchase cost. The Group has not adopted any residual value for its property, plant and equipment. Most of the Group's industrial assets are intended to be used until the end of their useful lives and there is generally no intention to sell them.

In addition, the Group has analysed all of its industrial processes, and has isolated the major components of its industrial equipment that require a specific depreciation plan. As part of this work, the effective useful lives of industrial assets have been reviewed. This component-based approach has also been applied to buildings. As a result, there is no longer any need to book provisions for major maintenance work. Major repairs are now treated as a component of the asset's value. Property, plant and equipment is depreciated on a straight-line basis over the expected useful life for each type of asset or component. The periods used are as follows:

- Buildings 15-50 years
- Plant and tools 5-30 years
- Transportation equipment 3-5 years

Within the carrying value of an item of property, plant and equipment, the Group recognises the cost of replacing a component of the item at the moment the cost is incurred if it is probable that the future economic benefits associated with the asset will flow to the Group and if its cost can be measured reliably. All maintenance costs are recognised as expenses at the time at which they are incurred.

Changes in property, plant and equipment are analysed below:

In € thousands	Land and improvements	Buildings and improvements	Plant, equipment and tools	Other property, plant and equipment	Property, plant and equipment in progress	Total
Gross value at 31/12/2018	**19,018**	**93,634**	**479,939**	**23,066**	**47,189**	**662,846**
Change in scope	-	-	-	-	-	0
Acquisitions	479	5,865	57,194	37	9,422	72,997
Disposals	-	-	-	-	-	0
Other movements	(308)	10,494	9,779	(12,354)	-	7,611
Gross value at 31/12/2019	**19,189**	**109,993**	**546,912**	**10,749**	**56,611**	**743,454**
Cumulative depreciation and impairment at 31/12/2018	**(5,639)**	**(43,223)**	**(273,290)**	**(18,129)**	**0**	**(340,281)**
Change in scope	-	-	-	-	-	0
Additions to depreciation	(82)	(4,073)	(31,978)	(179)	-	(36,312)
Reductions in depreciation	-	-	-	-	-	0
Impairment of intangible assets	-	-	-	-	-	0
Other movements	-	-	(22,559)	11,338	-	(11,221)
Cumulative depreciation and impairment at 31/12/2019	**(5,721)**	**(47,296)**	**(327,827)**	**(6,970)**	**0**	**(387,814)**
Net value at 31/12/2019	**13,468**	**62,697**	**219,085**	**3,779**	**56,611**	**355,640**

The gross value and depreciation included in the "Other movements" item correspond to:

- Reclassifications of assets from one asset category to another;
- The recognition of leased equipment as assets under IFRS 16;
- The retirement of non-recoverable equipment and buildings following the fire at the Roha plant.

The “additions to amortisation/depreciation” item breaks down as follows:

In € thousands	2019	2018
Additions to amortisation of intangible assets: recurring operating income	31,431	21,089
Additions to amortisation of intangible assets: other operating income and expense	-	-
Additions to amortisation of intangible assets	**31,431**	**21,089**
Additions to depreciation of property, plant and equipment: recurring operating income	36,313	24,504
Additions to depreciation of property, plant and equipment: other operating income and expense	-	-
Additions to depreciation of property, plant and equipment	**36,313**	**24,504**
Additions to amortisation and depreciation	**67,744**	**45,594**

Of the Group’s property, plant and equipment, €205 million are in France, €110 million in the United States, €37 million in India and the remainder in China.

V.8.3 Leases

The Group leases IT hardware (servers, PCs, printers and licences), vehicles, industrial equipment such as lift trucks, lifting equipment, goods trucks, tanks, storage facilities and laboratory equipment. Leases are negotiated individually and may include various terms and conditions. Lease terms vary widely, from 2 to 10 years, and are generally renewable.

Until 31 December 2018, the Group classified its leases as operating or finance leases depending on its assessment of whether the lessor retained substantially all the risks and rewards of ownership of the asset. IFRS 16 is the new accounting standard on leases, replacing IAS 17 and its associated interpretations. IFRS 16 removes the distinction between operating leases and finance leases. It has introduced a single model for recognising leases on the lessee’s balance sheet, i.e. an asset representing the right to use the leased asset and a liability consisting of the obligation to make lease payments.

The Group has applied IFRS 16 retrospectively from 1 January 2019, but has not restated the comparative information relating to 2018, as allowed by IFRS 16’s specific transitional provisions (“simplified retrospective approach”). As a result, reclassifications and adjustments resulting from the first-time adoption of IFRS 16 are recognised in the opening balance sheet at 1 January 2019.

The simplification measures taken are as follows:

- Exclusion of leases with a term of less than 12 months;
- Exclusion of leases relating to assets with a value of less than $5,000 when new.

The lease expense relating to those leases is still recognised in the income statement.

On the date of first-time adoption:

- The lease liability is measured as the value of lease payments remaining due, discounted at the debt interest rate on the date of first-time adoption. The discount rate is the marginal borrowing interest rate corresponding to the lease term and determined on a country-by-country basis;
- The asset equals lease liabilities adjusted for lease payments paid in advance or still payable on the date of first-time adoption.

The Group has opted to present non-current assets by underlying asset category.

The impact of applying IFRS 16 to the Group's consolidated financial statements at 1 January 2019, the date of first-time adoption, is summarised below:

In € thousands	31/12/2018 IAS 17	IFRS 16	01/01/2019 IAS 17/IFRS 16	31/12/2019
Gross property, plant and equipment	17,401	28,401	45,802	44,448
Depreciation	(12,613)	(21,928)	(34,541)	(34,305)
Sub-total, assets	**4,788**	**6,473**	**11,261**	**10,143**
Debt	4,788	6,473	11,261	9,557
Discounting of liabilities				586
Sub-total, liabilities	**4,788**	**6,473**	**11,261**	**10,143**

The first-time adoption of IFRS 16 in relation to operating leases had the following impact:

- A €6.5 million increase in property, plant and equipment and long-term liabilities at 1 January 2019;
- A €7.8 million increase in property, plant and equipment and long-term liabilities at 31 December 2019;
- A €4.1 million increase in EBITDA following the neutralisation of the year's lease payments, initially recognised under variable expense.

The overall impact of restating finance and operating leases at 31 December 2019 was as follows:

- A €10.1 million increase in property, plant and equipment and long-term liabilities at 31 December 2019;
- An €8.1 million increase in the Group's EBITDA;
- An interest expense of €296 thousand relating to lease liabilities.

There was an unadjusted lease expense of €4,521 thousand relating to short-term leases, variable lease payments, leases relating to low-value assets and leases including other services.

To determine the present value of lease payments, the Group uses its marginal debt interest rate on the lease start date where the lease's implied interest rate cannot easily be determined. The marginal debt interest rate is the rate that the lessee would pay to finance an asset of an identical value, in a similar economic environment, over a similar term and with similar guarantees. A rate of 2% was used for assets located in France and 4% for those in the United States.

The sensitivity of the discounted debt figure to the interest rate was tested, varying the interest rate by steps of 0.50%. There was little change in the debt figure, i.e. plus or minus €100,000 depending on the interest-rate assumptions used.

V.8.4 Impairment of assets

In accordance with IAS 36 "Impairment of assets", intangible assets with an indefinite useful life and intangible assets that are not yet ready for use are subject to impairment tests at every period-end and every time an indication arises that a significant loss of value has occurred. Carrying amounts of other assets: intangible assets with definite useful lives – mainly patents and software – and property, plant and equipment, are also subject to impairment tests when events or changes in the market environment indicate the risk of a loss of value in these assets.

V.8.5 CGUs and goodwill

A CGU is defined as the smallest identifiable group of assets whose continued use generates cash inflows that are largely independent of cash inflows generated by other assets or groups of assets. The identification of CGUs consisting of an asset or group of assets must be consistent from one period to the next, unless a change is justified.

V.8.6 Impairment tests

Impairment tests consist of comparing the recoverable amount of a non-current asset with its net carrying amount. The recoverable amount of an asset or group of assets is the higher of its fair value less costs to sell and its value in use.

If no fair value figure based on market prices is available, the recoverable value of assets is determined on the basis of value in use. Value in use corresponds with the value of the expected future economic benefits of using and selling the assets. In practice, value in use is the sum of the present values of future cash flows generated by the tested asset, taking into account a terminal value based on a long-term cash flow growth rate. Projections are made over a 5-year period and result from business plans based on economic assumptions and expected conditions adopted by management. If the carrying amount is higher than the recoverable amount, the corresponding asset is written down to its recoverable amount by recognising an impairment loss.

This impairment loss is recorded under “Other operating income and expense” and is charged first and foremost to goodwill. Impairment losses relating to property, plant and equipment and intangible assets with a definite useful life (such as patents and software) are reversible and may be reversed subsequently if the recoverable value becomes higher than the net carrying value, up to the limit of the impairment loss initially recognised. Goodwill impairment losses are irreversible. Any impairment losses remaining after the maximum has been charged to goodwill are charged to the net value of property, plant and equipment and intangible assets in proportion to the carrying value of each asset within the unit. This method of charging impairment losses reduces the basis for depreciation and amortisation and therefore reduces the amount of depreciation and amortisation in subsequent years.

V.8.6.1 Details of impairment tests

The Group has organised its assets into six Cash Generating Units (CGUs):

- Pine Derivatives: DRT, Fider, SBS, DRT Wuxi, DRT AB, Willers Engel and STO
- India: companies whose industrial production takes place in India (DRT Anthea and CCPL)
- USA: companies located in the United States (Pinova, DRT America Inc. and DRT America LLC)
- Action Pin: Action Pin and its subsidiaries (Action Pin SARL and SPRL)
- Solar: photovoltaic power generation activities (Watt Burgas)
- Real estate: the Group’s real-estate activities, consisting of Resimmo

The first impairment test on 31 December 2019 did not reveal any indication of an impairment loss capable of leading to a write-down of intangible assets.

V.8.7 Off-balance sheet commitments relating to operating activities

The Group does not have any off-balance sheet commitments relating to operating activities other than those indicated in Note I.5.2.5 (“Off-balance sheet commitments related to the scope”).

V.9 PROVISIONS AND CONTINGENT LIABILITIES

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", provisions are recorded when the Group is under an obligation to a third party at the end of the financial year that is likely to trigger an outflow of resources to the third party that do not represent future economic benefits for the Group.

This obligation may be statutory, regulatory or contractual. It may also derive from the Group's business practices or from its public commitments where the Group has created a legitimate expectation among such third parties that it will assume certain responsibilities.

The estimate of the amount provisioned corresponds to the outflow of resources that the Group is likely to bear to extinguish its obligation. If no reliable estimate of the amount of the obligation can be made, no provision is booked, and a disclosure is made in the notes.

Contingent liabilities consist of:

- Potential obligations resulting from past events, the existence of which will only be confirmed by the occurrence of uncertain future events that are not under the Group's control,
- Present obligations resulting from past events but that are not recognised since it is not probable that an outflow of resources representing economic benefits will be necessary to extinguish the obligation and since the amount of the obligation cannot be reliably measured.

In the event of restructuring, an obligation is recognised when the restructuring has been announced and has been the subject of a detailed plan or has commenced before the period-end.

V.9.1 Provisions on the balance sheet

In € thousands	31/12/2018	Total additions	Total releases	Reclassification	Exchange difference	31/12/2019
Non-current provisions	**0**	**0**	**0**	**0**	**0**	**0**
Provisions for litigation	353	-	353	-	-	-
Job protection plan provisions	9	-	9	-	-	-
Environmental provisions	97	-	-	-	-	97
Other	-	152	122	-	-	30
Current provisions	**459**	**152**	**484**	**0**	**0**	**127**
Total	**459**	**152**	**484**	**0**	**0**	**127**

All provisions recorded under liabilities on the balance sheet are regarded as current.

The litigation between the Group and a former agent of Action Pin has been settled. Aside from certain provisions that are not individually material, there remains only the abandonment provision under the technological risk prevention plan for the Vielle Saint Girons site.

To the company's knowledge, there is no other litigation that may have or have recently had a significant impact on the Group's activity, results, financial position or assets.

V.9.2 Changes in provisions on the income statement

Additions to and releases from provisions related to the Group's recurring activities are stated on the face of the income statement: additions to and releases from non-current provisions are included in "Other operating income and expense". These two categories of provisions are detailed in the table below:

2019 (in € thousands)	**(Additions)**	**Releases**	**Net**
Provisions for inventories	(1,518)	1,071	(447)
Provisions for receivables	(12)	73	61
Provisions for operating expenses	(1)	75	74
Provisions in recurring operating income	**(1,530)**	**1,219**	**(313)**
Litigation	-	353	353
Other	(236)	131	(105)
Provisions in other operating income and expense	**(236)**	**484**	**248**
Provisions in operating income	**(1,766)**	**1,703**	**(63)**

V.9.3 Breakdown of additions to/releases from contingency and loss provisions by type

The table below breaks down provisions that have been released after being used and those that have been released unused:

In € thousands	**Total releases**	**Provisions used = Expense**	**Provisions released unused**
Provisions for litigation	353	(406)	-
Other	131	(131)	-
Total provisions released in 2019	**484**	**(537)**	**-**

V.10 EQUITY AND EARNINGS PER SHARE

V.10.1 Equity

V.10.1.1 Share capital and premiums

At 31 December 2019, the share capital totalled €193,469,032. It was divided into:

- 192,529,997 ordinary shares with par value of €1 each, fully paid up,
- 199,035 category A preferred shares (ADP) with par value of €1 each, fully paid up,
- 340,000 category 1 preferred shares (ADP 1) with par value of €1 each,
- 400,000 category 2 preferred shares (ADP 2) with par value of €1 each, fully paid up.

Alpha-Beta International carried out a €340,000 capital increase through the capitalisation of reserves, issuing 340,000 ADP 1 preferred shares with par value of €1 each, paid up through the capitalisation of issue premiums, following a decision on 10 April 2019. As a result, the share capital rose from €193,255,934 to €193,595,934.

Alpha-Beta International reduced its capital by repurchasing and cancelling 126,902 ADP preferred shares with par value of €1 each following a decision on 26 August 2019. As a result, the share capital fell from €193,595,934 to €193,469,032.

V.10.1.2 Convertible bonds

Alpha-Beta International issued €284 million of convertible bonds in April 2018. The convertible bonds entitle holders to remuneration at a fixed rate of 9% per year. According to the issuance agreement, the convertible bonds constitute subordinated debt, ranking below senior debt. According to IAS 32.29, a bond that can be converted by the holder into a specific number of the entity's ordinary shares is an instrument comprising a financial liability and an equity instrument. Accordingly, the initial debt component was €231 million and the equity component €53 million.

Through a private agreement formed unanimously by the shareholders, a decision was made to partially redeem the convertible bonds in an amount of €110,503,712 in principal and €13,077,013 in interest. Under IAS 32.29, this reduced the debt component to €170 million and the equity component to €31 million.

In € thousands	2019	2018
Financial liabilities related to convertible bonds	140,586	230,646
Capitalised interest on convertible bonds	29,325	18,590
Total	**169,911**	**249,236**

V.10.2 Appropriation of income

The loss for 2018 was charged in full to the "Premiums and reserves" account, which amounted to €9,487,700 at 31 December 2019.

V.10.3 Other comprehensive income

The table below shows the components of other comprehensive income:

In € thousands	**2019**	**2018**
Actuarial gains and losses	(2,080)	(353)
Changes in fair value related to capital market transactions	(108)	(859)
Exchange difference	3,287	6,331
Total	**1,099**	**5,119**

V.10.4 Earnings per share

Earnings per share are calculated in accordance with IAS 33 “Earnings per share”.

Basic earnings per share are calculated by dividing net income for the period attributable to holders of ordinary shares by the weighted average number of paid-up ordinary shares.

	2019	**2018**
Net income attributable to equity holders of the parent (in € thousands)	(39,109)	(38,958)
Number of paid-up ordinary shares	192,529,997	192,529,997
Diluted earnings per share (in €)	**(0.20)**	**(0.20)**

V.11 FINANCING AND FINANCIAL INSTRUMENTS

V.11.1 Financial assets and liabilities

Financial assets and liabilities are measured and recognised in accordance with IFRS 9 “Financial instruments”, IAS 32 “Financial instruments: presentation” and IFRS 7 “Financial instruments: disclosures”.

Financial assets include financial assets at fair value through profit or loss held for trading, financial assets designated as at fair value through profit or loss, available-for-sale assets, assets relating to derivative instruments, and loans and receivables.
Initially, financial assets are measured at their fair value plus transaction costs where the assets concerned are not subsequently measured at fair value through profit or loss. For assets measured at fair value through profit or loss, transaction costs are taken directly to income. Those financial assets are measured at fair value, except for loans and receivables, which are measured at amortised cost.

An impairment loss on a financial asset measured at amortised cost corresponds to the difference between its carrying amount and the value of expected future cash flows discounted at the asset’s original effective interest rate. Losses are taken to income and recorded in an impairment account as a deduction from loans and receivables or held-to-maturity investments. Interest on an impaired asset continues to be recognised. Where an event takes place after impairment that reduces the amount of the impairment loss, that reduction is released to income.

The Group derecognises a financial asset where the contractual rights to cash flows generated by the asset expire, or where it transfers contractual rights to receive cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities include borrowings, other bank financing and overdrafts and liabilities relating to derivative instruments.

Borrowings and other financial liabilities are measured at amortised cost, and derivative instruments (assets and liabilities) at fair value less transaction costs, then at amortised cost using the effective interest-rate method.

V.11.1.1 Other non-current assets

Other non-current assets consist solely of financial assets. The non-current assets listed below represent long-term investments relating to the Group’s operations.

In € thousands	**2019**	**2018**
Value of shares in ATTIS 2	5,903	5,903
Value of the 45,126 shares in Gascogne	166	165
Shares in 11 non-trading real-estate companies and investment trusts (SCIs and SCPIs)	1,100	1,090
Fair value of life insurance policies (endowment policies)	2,420	2,430
Loan to BESVSG	2,219	3,075
Loan to Logicator	-	775
Other	672	651
Total	**12,480**	**14,089**

- The Group’s investment in ATTIS 2 represents 12.80% of the capital of the company that owns 70.60% of Gascogne SA.

- The Group has a holding-company activity, investing in carefully selected real-estate projects through shares in listed non-trading real-estate companies and investment trusts (SCIs and SCPIs) with a long-term horizon.

- The loan to equity affiliate BESVSG is proportional to the Group's stake in the company.

- DRT has granted an interest-bearing loan to Swedish company Logicator, its local logistics provider, so that it could invest in a storage facility in the port of Helsingborg, in order to facilitate the transportation of raw materials to the Group. The portion of the services invoiced monthly by Logicator representing leasing of the storage facility has been restated under IFRS 16 and under the agreement between DRT and Logicator. The loan granted has been deducted from the liability recognised in respect of the obligation to make future lease payments.

V.11.1.2 Other current assets

In € thousands	2019	2018
VAT and GST to be reclaimed	8,840	6,534
Insurance compensation to be received	5,645	7,104
Prepaid expenses	1,467	1,886
BNP Paribas Factor guarantee fund	3,020	-
Miscellaneous accrued income	1,272	4,039
Total	**20,244**	**19,563**

- VAT in France and GST (Goods and Services Tax) in India are indirect taxes based on revenue. They are levied on the basis of local tax law. Recoverable French VAT amounts to €2,941,000 and recoverable Indian GST amounts to €5,899,000.
- Insurance compensation to be received relates to the remaining operating losses and cost of rebuilding industrial facilities following the fire at DAACPL's Roha 2 plant in an amount of €5,148,567, and operating losses suffered by Fider following the shutdown of peracetic acid column C23 at the Castets plant in an amount of €496,000.
- Prepaid expenses relate to service agreements and annual subscriptions whose periods overlap the year-end. The portion of these expenses already paid in relation to 2020 is recognised in this item.
- In relation to factoring and to guarantee the repayment of sums that it could come to owe to BNP Paribas Factor as a result of dilution and its interest obligations, DRT has set aside money in a guarantee fund corresponding to 6% of the receivables assigned to the factor. That fund does not produce interest.

V.11.1.3 Trade payables

Trade payables amount to €69 million. This sum includes amounts payable to suppliers of raw materials, services and non-current assets. Foreign currency amounts are converted into euros at the period-end exchange rate.

V.11.1.4 Fair value of financial assets and liabilities

V.11.1.4.1 Balance sheet

The following table provides information on financial assets and liabilities presented according to accounting categories defined by IFRS 9:

2019 (in € thousands)	Financial assets and liabilities designated as at fair value through profit or loss	Financial assets and liabilities at fair value held for trading	Assets (loans and receivables) and liabilities measured at amortised cost	Available-for-sale financial assets	Derivatives designated as hedges	Total net carrying amount of financial assets and liabilities	Non-financial instruments (*)	Total net carrying amount
Value of ATTIS 2 shares	-	-	5,903	-	-	5,903	-	5,903
Value of Gascogne shares	-	-	166		-	166	-	166
Shares in 11 non-trading real-estate companies and investment trusts (SCIs and SCPIs)	-	-	1,100	-	-	1,090	-	1,090
Fair value of life insurance policies	-	-	2,420		-	2,430	-	2,430
Loan to BESVSG	-	-	2,219	-	-	2,219	-	2,219
Other	-	-	-	-	-	-	672	672
Non-current assets	**0**	**0**	**11,808**	**0**	**0**	**11,808**	**672**	**12,480**
Trade receivables	-	-	48,556	-	-	48,556	-	48,556
BNP Paribas Factor guarantee fund	-	-	3,020	-	-	3,020	-	3,020
Other current assets	-	-	-	-	-	-	-	-
Interest-rate, exchange rate and commodity derivatives	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	24,209	-	-	24,209	-	24,209
Current assets	**0**	**0**	**75,785**	**0**	**0**	**75,785**	**0**	**75,785**
TOTAL ASSETS	**0**	**0**	**87,593**	**0**	**0**	**87,593**	**672**	**88,265**
Long-term borrowings and debt	-	-	583,518	-	-	583,518	-	583,518
Non-current liabilities	**0**	**0**	**583,518**	**0**	**0**	**583,518**	**0**	**583,518**
Short-term borrowings and debt	-	-	70,126	-	-	70,126	-	70,126
Trade and other payables	-	-	69,146	-	-	69,146	-	69,146
Interest-rate and exchange-rate derivatives	-	-	-	-	1,002	1,002	-	1,002
Other current liabilities	-	-	-	-	-	-	23,373	23,373
Current liabilities	**0**	**0**	**139,272**	**0**	**1,002**	**140,274**	**23,373**	**163,647**
TOTAL LIABILITIES	**0**	**0**	**722,790**	**0**	**1,002**	**723,792**	**23,373**	**747,165**

(*) Including liabilities related to employees, social security charges and prepaid CIR research tax credits.

V.11.1.4.2 Income statement

The following table provides information on 2019 gains and losses by financial asset/liability accounting category:

In € thousands	2019	2018
Interest income on cash and cash equivalents (*)	356	316
Dividends received on available-for-sale assets	63	46
Change in fair value of cash-flow hedging instruments	-	-
Net foreign exchange gains	-	-
Accretion income on redeemed convertible bonds	2,706	
Other	253	137
Financial income	**3,378**	**499**
Interest expense on convertible bonds	(22,364)	(18,590)
Interest expense and issuance costs relating to financial liabilities measured at amortised cost	(27,746)	(21,550)
Net foreign exchange losses	(1,314)	(150)
Accretion expense (IAS 19)	(1,449)	(122)
Factoring costs	(337)	
Other	(277)	(505)
Financial expense	**(53,487)**	**(40,917)**
Net financial expense	**(50,109)**	**(40,418)**

(*)Financial assets at fair value through profit or loss

- Interest expense includes interest related to the use of the Term Loan B and the Revolving Credit Facility along with commitment and non-use fees relating to those facilities, interest on all short- and medium-term bilateral financing and interest included in lease payments restated under IFRS 16.
- Net foreign exchange losses concern financing transactions and exchange differences relating to foreign companies that account in foreign currencies.

V.11.2 Fair value

The methods of determining fair value figures in the table on the next page are described below.

- Investments in equity securities: the fair value of available-for-sale financial assets is determined with reference to their listed price on an active market on the closing date. If an active market does not exist and if fair value cannot be estimated reliably using measurement methods, these securities are measured at cost less cumulative impairment.

- Loans and receivables: the fair value of trade receivables and loans is considered to be equal to their carrying amounts since most of those financial assets have an element of credit risk taken into account via impairment and the interest-rate risk is limited.

- Derivatives: the fair value of interest-rate hedges is based on figures quoted by the financial institutions with which the hedging transactions are arranged. Forward foreign exchange contracts, options and currency option derivatives existing at the closing date are measured using the pricer on the Fairways Change platform provided by advisory firm Finance Active. This method has the benefit of applying consistent market conditions across all positions and all institutions. The result is compared with figures received from each bank, and material discrepancies are analysed on a case-by-case basis.

- Non-derivative financial liabilities: fair value corresponds to future cash flows generated by the repayment of the principal and interest, discounted at the market interest rate on the closing date, adjusted by the credit spread defined by the Group. The fair value of trade payables and trade receivables corresponds to the carrying value on the balance sheet. The discounting of cash flows does not have a material impact given the shortness of payment and settlement times.

Financial instruments at fair value through profit or loss are classified as follows:

- Level 1: financial instruments quoted in an active market;
- Level 2: financial instruments measured using valuation techniques based on observable data;
- Level 3: financial instruments measured using valuation techniques based partly or fully on non-observable data.

The table below sets out the fair value of financial assets and liabilities, along with their carrying value on the balance sheet:

In € thousands	2019		2018	
	Net carrying amount	**Fair value**	**Net carrying amount**	**Fair value**
Loan	3,850	3,850	3,850	3,850
Listed securities	2,586	2,586	2,595	2,595
Unlisted securities	7,003	7,003	6,993	6,993
Trade receivables	48,556	48,556	106,954	106,954
Other assets	672	672	651	651
Cash and cash equivalents	24,209	24,209	26,485	26,485
Fixed-rate borrowings	(23,068)	(23,397)	(14,245)	(14,448)
Floating-rate borrowings	(585,800)	(585,800)	(489,911)	(489,911)
Lease liabilities	(10,143)	(10,143)	(4,788)	(4,788)
Bank overdrafts	(34,633)	(34,633)	(12,957)	(12,957)
Trade payables and other operating payables	(69,146)	(69,146)	(66,677)	(66,677)
Interest-rate and exchange-rate derivatives	(1,002)	(1,002)	(2,279)	(2,279)
Other liabilities	(23,373)	(23,373)	(29,390)	(29,390)
NET TOTAL	**(660,289)**	**(660,618)**	**(472,719)**	**(472,922)**

At 31 December 2019, the classification of financial instruments at fair value was as follows:

2019 (in € thousands)	**Level 1**	**Level 2**	**Level 3**
Value of ATTIS 2 shares	-	5,903	

Value of Gascogne shares	166	-	-
Shares in 11 non-trading real-estate companies and investment trusts (SCIs and SCPIs)	-	1,100	-
Fair value of life insurance policies	2,420	-	-
Loans	-	2,219	
Other assets	-	672	
Non-current assets	**2,586**	**9,894**	**0**
Trade receivables	-	48,556	
BNP Paribas Factor guarantee fund		3,020	
Cash and cash equivalents		24,209	-
Current assets	**0**	**75,785**	**0**
Total assets	**2,586**	**85,679**	**0**

Long-term borrowings and debt	-	583,518	-
Non-current liabilities	**0**	**583,518**	-
Short-term borrowings and debt	-	70,126	-
Trade and other payables	-	69,146	-
Interest-rate and exchange-rate derivatives	1,002	-	-
Other current liabilities	-	23,373	-
Current liabilities	**1,002**	**162,645**	-
Total liabilities	**1,002**	**746,163**	-

V.11.3 Debt

In € thousands	31/12/2018	Exchange difference	Increase	Decrease	Change in cash and cash equivalents	Reclassifications	Other changes	31/12/2019
Convertible bonds	249,236	-	23,812	(123,581)	-	20,444	-	169,911

Long-term borrowings and debt								
Senior debt	455,000	-	60,000	-	-	-	-	515,000
Revolving Credit Facility	12,000	-	45,000	(23,000)	-	-	-	34,000
Bilateral bank borrowings	4,613	-	20,623	(1,227)	-	-	-	24,009
Other debts	704	-	-	(338)	-	-	-	366
Lease liabilities	4,788	-	10,143	(4,788)	-	-	-	10,143
Total	**477,105**	**0**	**135,766**	**(29,353)**	**0**	**0**	**0**	**583,518**
Short-term borrowings and debt								
Bilateral bank borrowings	6,112	-	1,227	(1,729)	-	-	-	5,610
Commercial paper	21,500	-	4,000	-	-	-	-	25,500
Accrued interest	3,722	-	3,963	(3,722)	-	-	-	3,963
Cash facilities	12,957	-	-	-	21,676	-	-	34,633
Debt securities	505	-	-	(85)	-	-	-	420
Total	**44,796**	**0**	**9,190**	**(5,536)**	**21,676**	**0**	**0**	**70,126**
Total borrowings and debt	**521,901**	**0**	**144,956**	**(34,889)**	**21,676**	**0**	**0**	**653,644**
Cash and cash equivalents								
Cash	25,110	-	-	-	(2,326)	-	-	22,784
Securities	1,375	-	-	-	50	-	-	1,425
Total cash and cash equivalents	**26,485**	**0**	**0**	**0**	**(2,276)**	**0**	**0**	**24,209**
Net debt	**495,415**	**0**	**144,956**	**(34,889)**	**23,952**	**0**	**0**	**629,435**

The portion of borrowings from credit institutions due in more than one year includes the senior debt agreement entered into by Alpha-Beta Participation on 10 April 2018 in an amount of €455 million and with a 7-year maturity, increased by €60 million on 23 July 2019. This agreement also includes a Revolving Credit Facility (RCF) with a maximum amount of €100 million. At 31 December 2019, the Group had drawn €34 million of the RCF.

Bank overdrafts in the "Cash facilities" item are classified under "Short-term borrowings and debt" on the balance sheet in an amount of €34.6 million (the cash flow statement shows a cash position net of cash facilities).

By convention, lease liabilities relating to finance and operating leases are all classified under long-term debt.

V.11.4 Cash and cash equivalents

Cash and equivalents include cash at hand, sight deposits and investments in money-market funds constituting short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

V.11.4.1 Reconciliation with the cash position stated in the cash flow statement

In € thousands	**2019**	**2018**
Cash	22,784	25,110

Securities	1,425	1,375
Other, loans to shareholders	-	-
Assets included in the cash position	**24,209**	**26,485**
Bank overdrafts	(34,633)	(12,957)
Other, loans from shareholders	-	(842)
Liabilities included in the cash position	**(34,633)**	**(13,799)**
Net cash position shown in the cash flow statement	**(10,424)**	**12,686**

V.11.4.2 Change in cash position

In € thousands	**2019**	**2018**
Net cash at start of period	**12,686**	**9,684**
Change in net cash	(23,110)	3,002
Other movements	-	-
Net cash at end of period	**(10,424)**	**12,686**

V.11.5 Derivative financial instruments (e.g. exchange-rate and interest-rate hedges)

To protect against movements in foreign-exchange markets, interest rates and CO_2 prices, the Group uses hedging techniques based on forward or option-based instruments. DRT has sole responsibility for managing financial risks for all of the Group's French companies. Positions outstanding at 31/12/2019 have been identified. Each contract is measured at its mark-to-market value at 31 December 2019. Changes in value of forward contracts regarded as certain hedging instruments are recognised under other comprehensive income in accordance with IFRS 9. Changes in value of forward contracts not regarded as hedges under IFRS 9 are taken to income under the item of the underlying asset.

In € thousands	Fair value of contracts	
	31/12/2019	31/12/2018
Interest-rate hedges on Term Loan B	-1,086	-1,027
Forward currency transactions	-309	-1,196
Accumulators	269	172
Targets	-	-209
Option-based instruments	122	-20
TOTAL	**-1,002**	**-2,280**

Changes in fair value relating to interest-rate hedges and forward currency transactions regarded as firm and certain hedges are recorded under "Other comprehensive income".

V.11.6 Risk management policy

V.11.6.1 Credit risk

The Group does not have any investments that would expose it to material counterparty risk.

Credit risk now only exists in relation to non-assigned receivables since the arrangement of factoring by DRT and Pinova. Insurance programmes have been arranged to cover the Group's other main companies against the risk of non-payment for financial or political reasons. They include the insurance policy taken out with Atradius to cover 90% of Action Pin's trade receivables, both those specifically stated and in aggregate for the smallest amounts.

V.11.6.2 Liquidity risk

In addition to the 7-year Senior Facilities Agreement, which includes a Term Loan B for €515 million and a Revolving Credit Facility for €100 million, the Group's finances its operating activities mainly through:

- Medium- and long-term borrowings
- A revolving credit facility
- Short-term financing (commercial paper and cash facilities)
- Medium-term bilateral credit facilities that are used by issuing notes

There are also leases of IT, laboratory, transport and storage equipment that include a financing component.

V.11.6.3 Interest-rate risk

As part of the credit agreement, the initial €455 million of Euribor-linked senior debt taken out by DRT and ABP is subject to a €318.5 million interest-rate hedge for the period from 30 April 2018 to 14 May 2022. Since interest is initially paid every six months, the hedge sets a maximum interest rate protecting the two borrowing companies against 6-month Euribor rising above an annual rate varying from 0% to 0.75% over time. The premium is paid in equal instalments every six months.

V.11.6.4 Exchange-rate risk

The Group's only exchange-rate risk relates to the US dollar as part of its purchases of raw materials and sales of goods in the United States, Asia and also Europe for ingredients whose price is set in USD. The Group's banks have granted it credit facilities that suit its purposes in terms of the exchange-rate hedging strategy described in section 1.5.10.5.

V.11.6.5 Commodity risks

The Group had not entered into any commodity risk hedging contracts at 31 December 2019.

V.11.7 Off-balance sheet commitments relating to the Group's financing

The Senior Facilities Agreement, consisting of a €455 million Term Loan B (increased by €60 million in July 2019) and a €100 million Revolving Credit Facility, has given rise to:

- A subordination agreement;
- A securities account pledge agreement;
- A bank account balance pledge agreement;
- A receivables pledge agreement.

V.12 INCOME TAX

V.12.1 Income tax

V.12.1.1 Current income tax

Current tax comprises the estimated amount of tax due (or receivable) with respect to the taxable income (or loss) for a period, and any adjustment of current tax with respect to previous periods. It is calculated on the basis of the tax rates enacted or substantively enacted on the balance sheet date.

V.12.1.2 CIR research tax credit

Under IAS 12 and IAS 38, R&D costs included in the calculation of the CIR tax credit are capitalised and amortised over five years. The resulting CIR tax credit is recorded as prepaid income under "other business income" at a rate of one fifth per year for five years.

V.12.1.4 Local economic contribution (CET)

France's local economic contribution (CET) levy has two components:

- The business property contribution (CFE), which is recorded under fixed costs;
- The value-added levy on businesses (CVAE), which is recorded under income tax.

V.12.1.5 Income tax (expense)/income

In € thousands	**2019**	**2018**
Current tax (expense)/income	(4,145)	(8,875)
Deferred tax (expense)/income	5,355	2,694
Income tax benefit/(expense)	**1,210**	**(6,181)**

V.12.1.6 Reconciliation of theoretical tax expense with the total tax expense on the income statement

In € thousands	2019	2018
Net income from consolidated companies	(35,703)	(35,080)
- net income from discontinued operations	9	204
(-) share in the net income of equity affiliates	(748)	(310)
Net income from fully-consolidated companies	(36,442)	(35,186)
Income tax expense/(income) (a)	1,210	(6,181)
Theoretical tax expense/(income) based on tax rates in force in each country (b)	12,303	8,317
Difference (a) - (b)	**(11,093)**	**(14,498)**
Analysis of the difference:		
Impact of unused net tax losses	(15,788)	(11,098)
Differences in tax rates	671	1,148
Impact of timing differences and other consolidation adjustments	416	(6,895)
Impact related to the recognition of the CVAE and CIR	3,607	3,494
Total	**(11,093)**	**(14,498)**

The tax rates used are as follows:

- France: 28% for deferred tax
- India: 25%
- Germany: 15%
- Brazil: 25%
- United States: 21%
- China: 25%
- Bulgaria: 10%
- Switzerland: 24%
- Finland: 20%

Tax loss carryforwards within the tax consolidation group headed by ABI are not capitalised for reasons of prudence in the context of the disposal mentioned above under “Post-balance sheet events”.

V.12.1.7 Income tax recoverable and payable

In € thousands	2019	2018
Income tax recoverable	2,296	1,553
Income tax payable	(2,255)	(3,284)
Net income tax asset/(liability)	**(41)**	**(1,731)**

Recoverable income tax mainly consists of payments on account made in March 2019 in excess of the income tax provision recorded in the income statement.

V.12.2 Deferred taxes

Deferred tax is calculated on the temporary differences that exist between the carrying value of assets and liabilities and their tax basis. Deferred tax assets and liabilities are measured using the liability method,

i.e. at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
The following items do not give rise to the recognition of deferred tax:

- Goodwill that is not tax-deductible,
- Initial recognition of an asset or liability that does not result from a business combination and that affects neither accounting profit nor taxable profit,
- Temporary differences related to equity stakes in subsidiaries to the extent that they will not be reversed in the foreseeable future.

The Group discloses deferred taxes on the consolidated balance sheet separately from other assets and liabilities. Deferred tax assets are recognised on the balance sheet to the extent that it is probable that they will be recovered in subsequent periods. Deferred tax assets and liabilities are not discounted.
Deferred tax assets and liabilities are netted when there is a legally enforceable right to net payable tax assets and liabilities, when they concern income taxes levied by a single tax authority and when the Group has the intention to settle them based on their net amount.

V.12.2.1 Deferred tax on the balance sheet

In € thousands	2019	2018
Deferred tax assets	7,281	5,851
Deferred tax liabilities	(119,192)	(128,069)
Net deferred tax assets (liabilities)	**(111,911)**	**(122,218)**

Deferred tax liabilities mainly correspond to the difference arising from the recognition of the value of the customer portfolio, i.e. €363 million of assets in relation to the allocation of goodwill in 2018. This intangible asset is being amortised over 15 years, as is the corresponding deferred tax liability calculated at a rate of 25% based on the reversal schedule.

V.12.2.2 Change in deferred taxes

In € thousands	2019	2018
Amount at start of period	**(122,218)**	**0**
Change in scope	-	(128,908)
Impact on income	5,355	6,224
Impact on equity	4,952	460
Other impacts from exchange differences	-	-
Amount at end of period	**(111,911)**	**(122,218)**

V.13 POST-BALANCE SHEET EVENTS

Post-balance sheet events are described in section V.2. "Post-balance sheet events" at the start of this report. They concern:

- DRT's sale of its shares in the Crown Chemicals joint venture in India;
- The planned acquisition of DRT by Firmenich announced in early March;
- The consequences of the Covid-19 crisis.

V.14 STATUTORY AUDITORS' FEES

In € thousands	KPMG - USA		EY - France		B&B - France		ACQS - France	
	2019	2018	2019	2018	2019	2018	2019	2018
Audit of the financial statements	152	122	317	97	93	80	56	29
Other services	61	-	801	421	-	-	-	-
TOTAL	**213**	**122**	**1,118**	**518**	**93**	**80**	**56**	**29**

B & B Associés Ernst & Young Audit

Alpha-Beta International

Year ended 31 December 2019

Statutory Auditors’ report on the consolidated financial statements

B & B ASSOCIES
1, allée Robinson
64200 Biarritz
S.A.R.L. (limited-liability company) with capital of €8,000
Registered with the Bayonne trade and companies register under number 412 653 131

Statutory Auditor
Member of the Pau regional association of statutory auditors

Ernst & Young Audit
Hangar 16, Entrée 1
Quai de Bacalan
33070 Bordeaux cedex
S.A.S. (simplified joint-stock corporation) with variable capital
Registered with the Nanterre trade and companies register under number 344 366 315

Statutory Auditor
Member of the Versailles regional association of statutory auditors

Alpha-Beta International
Year ended 31 December 2019

Statutory Auditors' report on the consolidated financial statements

To the shareholders of Alpha-Beta International,

Opinion

In accordance with our appointment as statutory auditors by the sole shareholder, we have audited the accompanying consolidated financial statements of Alpha-Beta International for the year ended 31 December 2019. The financial statements were finalised by the chairman on 2 April 2020 based on information available at that date against the background of the rapidly developing Covid-19 crisis.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the assets and liabilities, and the results of the group formed by the persons and entities included in the consolidation, in accordance with the International Financial Reporting Standards as endorsed by the European Union.

Basis of our opinion

■ Audit

We conducted our audit in accordance with professional standards applicable in France. We believe that the information that we collected provides a sufficient and appropriate basis for our opinion.

Our responsibilities under those standards are stated in the "Responsibilities of the Statutory Auditors in relation to auditing the consolidated financial statements" section of this report.

■ Independence

We conducted our audit in accordance with the independence rules applicable to us between 1 January 2019 and the date on which we issued our report, and in particular we did not provide any services forbidden by the code of conduct of the statutory auditors' profession in France.

Comments

Without prejudice to the opinion expressed above, we draw your attention to the following matters set out in the notes to the consolidated financial statements:

► note V.4.7 “Information allowing comparisons between financial statements” stating that the comparative information relates to a 9-month period from 1 April to 31 December 2018. To present comparative 12-month data, proforma consolidated income statements have been prepared for 2018 and 2019, and are shown in note V.3 “Key indicators”.

► note V.4.8 “Changes in accounting policies” describes the impact of applying IFRS 16 “Leases” from 1 January 2019 and the impact arising from changes in presentation.

Substantiation of our opinion

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the substantiation of our opinion, we confirm that the most important assessments we made, using our professional judgement, related to the appropriateness of the accounting principles used, the reasonableness of the material estimates adopted and the overall presentation of the financial statements.

Those assessments were made in the context of our audit of the consolidated financial statements taken as a whole, finalised as described above, and in the formation of our opinion stated above. We express no opinion on items of the consolidated financial statements taken in isolation.

Specific verifications

In accordance with professional standards applicable in France, we also carried out specific verifications, as required by statutory and regulatory provisions, of information provided in the chairman’s report on the Group’s management, dated 2 April 2020. As regards events occurring and information coming to light after the accounts closing date in relation to the Covid-19 crisis, management has informed us that it will make a statement on them in the shareholders’ general meeting convened to vote on the financial statements.

We have no comments to make as to the information’s fair presentation and its consistency with the consolidated financial statements.

Responsibilities of management and persons involved in corporate governance in relation to the consolidated financial statements

Management is responsible for preparing consolidated financial statements that present a true and fair view, in accordance with IFRSs as endorsed by the European Union, and for setting up the internal controls it deems necessary for preparing consolidated financial statements that do not contain any material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the company’s ability to continue as a going concern, for presenting in those statements any necessary information relating to its status as a going concern, and for applying the accounting concept of going concern, except where there is a plan to liquidate the company or discontinue its operations.

The consolidated financial statements have been approved by the chairman.

Responsibilities of the Statutory Auditors in relation to auditing the consolidated financial statements

Our responsibility is to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free of material misstatement. Reasonable assurance means a high level of assurance, although there is no guarantee that an audit conducted in accordance with professional standards will systematically detect all material misstatements. Misstatements may arise from fraud or error, and are regarded as material when they can reasonably be expected, individually or together, to influence the economic decisions that users of the financial statements take on the basis of those statements.

As stated by article L. 823-10-1 of the French Commercial Code, our audit assignment does not involve guaranteeing the viability of your company or the quality of its management.

When conducting an audit in accordance with professional standards in France, statutory auditors use their professional judgement throughout the audit.

In addition:

► they identify and assess the risks that the consolidated financial statements contain material misstatements, whether through fraud or error, define and implement audit procedures to address those risks, and collect information that they regard as sufficient and appropriate as the basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or the circumvention of internal controls;

► they familiarise themselves with the internal controls relevant to the audit, in order to define audit procedures appropriate to the situation in hand, and not in order to express an opinion on the effectiveness of internal control;

► they assess the appropriateness of accounting policies adopted and the reasonableness of accounting estimates made by management, along with information about those estimates provided in the consolidated financial statements;

► they assess whether management has applied appropriately the going concern convention and, based on information collected, whether or not there is a material uncertainty arising from events or circumstances likely to call into question the company’s ability to continue as a going concern. That assessment is based on information collected until the date of the auditors’ report, although it should be borne in mind that subsequent circumstances or events may call into question the company’s status as a going concern. If the auditors conclude that there is a material uncertainty, they draw the attention of those reading their report to information provided in the consolidated financial statements in relation to that uncertainty or, if that information is not provided or is not relevant, they certify the financial statements with reservations or refuse to certify them;

► they assess the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements reflect the underlying operations and events so that they give a true and fair view;

► regarding financial information relating to persons or entities included in the scope of consolidation, they collect the information that they regard as sufficient and appropriate to express an opinion on the consolidated financial statements. The auditors are responsible for managing, supervising and conducting the audit of the consolidated financial statements and for the opinion expressed on those financial statements.

Biarritz and Bordeaux, 10 April 2020

The Statutory Auditors

B & B Associés	Ernst & Young Audit
Pierre-Damien Blandino	Laurent Chapoulaud