

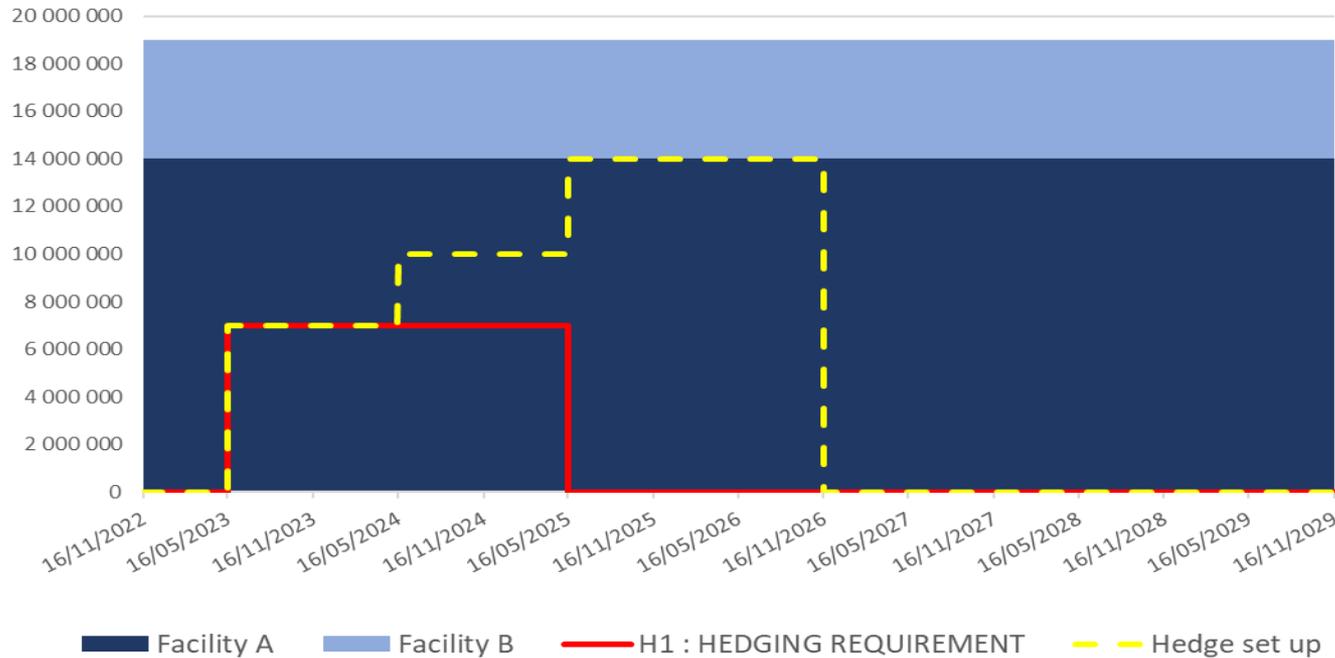
# Hedging Interest Rate Risk Final Report

8<sup>th</sup> june 2023

## Summary of hedging decisions

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- ❑ New hedge set up on a 3.5-year horizon to mitigate the sensitivity of the group to interest rates variations, including the impact of negatives rates with the Cash Flow Hedge objective.
- ❑ A cap with a protection rate (strike) at 3% has been set up to limit the financing rate on the hedged part. Those products take into account the 0% floor on the debt.



Hedging Requirement:

Acquisition Facility:

The Company shall ensure that at least **50%** of the aggregate of the principal amount at any time outstanding **under the Facility A** is protected from interest rate risks for a period of **2 years from the Closing Date** through Hedging Agreements to be entered into within **6 Months from the date of Acquisition**.

→ 16/05/2023

Hedging counterparty:

Santander, Caixa, Sabadel, ING

**Financing:** (Santander) Acquisition Facility of €40'000'000, dated 16/11/2022

- **Facility A: €14'000'000**, , bullet amortization, maturing 16/11/2029, **floor 0%** on Euribor 3 mois + 5,50%.
- **Facility B: €5'000'000**, bullet amortization, maturing 16/11/2029, **floor 0%** on Euribor 3 mois + 5,50%.

- Hedges set up: Purchased Cap 3% for 3.5 years.
- Banking split : SANTANDER 100%

## Details of hedges set up

|                     |                           |
|---------------------|---------------------------|
| <b>Product</b>      | : <b>Cap with Premium</b> |
| <b>Strike price</b> | : 3%                      |
| <b>Trade Date</b>   | : <b>06/02/2023</b>       |
| <b>Start Date</b>   | : 05/16/2023              |
| <b>End date</b>     | : 11/16/2026              |
| <b>Index</b>        | : Euribor 3 Months        |
| <b>Base</b>         | : ACTUAL/360              |

### **SANTANDER Hedge**

**Notional Principal** : € 7,000,000 amortization as set out in the table

**Upfront premium** to pay on 06/06/2023 : **€ 245,000.00**

| Fixing     | Begin      | End        | Payment    | Notional   | Accounting deferral |
|------------|------------|------------|------------|------------|---------------------|
| 12/05/2023 | 16/05/2023 | 16/08/2023 | 16/08/2023 | 7 000 000  | 11 353              |
| 14/08/2023 | 16/08/2023 | 16/11/2023 | 16/11/2023 | 7 000 000  | 11 353              |
| 14/11/2023 | 16/11/2023 | 16/02/2024 | 16/02/2024 | 7 000 000  | 11 353              |
| 14/02/2024 | 16/02/2024 | 16/05/2024 | 16/05/2024 | 7 000 000  | 11 106              |
| 14/05/2024 | 16/05/2024 | 16/08/2024 | 16/08/2024 | 10 000 000 | 16 218              |
| 14/08/2024 | 16/08/2024 | 18/11/2024 | 18/11/2024 | 10 000 000 | 16 571              |
| 14/11/2024 | 18/11/2024 | 17/02/2025 | 17/02/2025 | 10 000 000 | 16 042              |
| 13/02/2025 | 17/02/2025 | 16/05/2025 | 16/05/2025 | 10 000 000 | 15 513              |
| 14/05/2025 | 16/05/2025 | 18/08/2025 | 18/08/2025 | 14 000 000 | 23 199              |
| 14/08/2025 | 18/08/2025 | 17/11/2025 | 17/11/2025 | 14 000 000 | 22 459              |
| 13/11/2025 | 17/11/2025 | 16/02/2026 | 16/02/2026 | 14 000 000 | 22 459              |
| 12/02/2026 | 16/02/2026 | 18/05/2026 | 18/05/2026 | 14 000 000 | 22 459              |
| 14/05/2026 | 18/05/2026 | 17/08/2026 | 17/08/2026 | 14 000 000 | 22 459              |
| 13/08/2026 | 17/08/2026 | 16/11/2026 | 16/11/2026 | 14 000 000 | 22 459              |

|                                  |         |
|----------------------------------|---------|
| Corresponding annualised premium | 0.6346% |
|----------------------------------|---------|

|       |         |
|-------|---------|
| Total | 245 000 |
|-------|---------|

| FIXING DATE | START DATE | END DATE   | PAYMENT DATE | Facility A |            | Facility B |           | TOTAL DEBT | H1 : HEDGING REQUIREMENT | Treated Hedging |
|-------------|------------|------------|--------------|------------|------------|------------|-----------|------------|--------------------------|-----------------|
|             |            |            |              | Amort.     | CRD        | Amort.     | CRD       |            |                          |                 |
| 14/11/2022  | 16/11/2022 | 16/02/2023 | 16/02/2023   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 14/02/2023  | 16/02/2023 | 16/05/2023 | 16/05/2023   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 12/05/2023  | 16/05/2023 | 16/08/2023 | 16/08/2023   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                | 7 000 000       |
| 14/08/2023  | 16/08/2023 | 16/11/2023 | 16/11/2023   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                | 7 000 000       |
| 14/11/2023  | 16/11/2023 | 16/02/2024 | 16/02/2024   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                | 7 000 000       |
| 14/02/2024  | 16/02/2024 | 16/05/2024 | 16/05/2024   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                | 7 000 000       |
| 14/05/2024  | 16/05/2024 | 16/08/2024 | 16/08/2024   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                | 10 000 000      |
| 14/08/2024  | 16/08/2024 | 18/11/2024 | 18/11/2024   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                | 10 000 000      |
| 14/11/2024  | 18/11/2024 | 17/02/2025 | 17/02/2025   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                | 10 000 000      |
| 13/02/2025  | 17/02/2025 | 16/05/2025 | 16/05/2025   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                | 10 000 000      |
| 14/05/2025  | 16/05/2025 | 18/08/2025 | 18/08/2025   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 14 000 000      |
| 14/08/2025  | 18/08/2025 | 17/11/2025 | 17/11/2025   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 14 000 000      |
| 13/11/2025  | 17/11/2025 | 16/02/2026 | 16/02/2026   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 14 000 000      |
| 12/02/2026  | 16/02/2026 | 18/05/2026 | 18/05/2026   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 14 000 000      |
| 14/05/2026  | 18/05/2026 | 17/08/2026 | 17/08/2026   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 14 000 000      |
| 13/08/2026  | 17/08/2026 | 16/11/2026 | 16/11/2026   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 14 000 000      |
| 12/11/2026  | 16/11/2026 | 16/02/2027 | 16/02/2027   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 12/02/2027  | 16/02/2027 | 17/05/2027 | 17/05/2027   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 13/05/2027  | 17/05/2027 | 16/08/2027 | 16/08/2027   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 12/08/2027  | 16/08/2027 | 16/11/2027 | 16/11/2027   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 12/11/2027  | 16/11/2027 | 16/02/2028 | 16/02/2028   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 14/02/2028  | 16/02/2028 | 16/05/2028 | 16/05/2028   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 12/05/2028  | 16/05/2028 | 16/08/2028 | 16/08/2028   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 14/08/2028  | 16/08/2028 | 16/11/2028 | 16/11/2028   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 14/11/2028  | 16/11/2028 | 16/02/2029 | 16/02/2029   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 14/02/2029  | 16/02/2029 | 16/05/2029 | 16/05/2029   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 14/05/2029  | 16/05/2029 | 16/08/2029 | 16/08/2029   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 14/08/2029  | 16/08/2029 | 16/11/2029 | 16/11/2029   | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        | 0               |
| 14/11/2029  | 16/11/2029 | 18/02/2030 | 18/02/2030   | 14 000 000 | 0          | 5 000 000  | 0         | 0          | 0                        | 0               |

In addition to the qualitative aspects (analysis and choice of the most appropriate strategy) and the time saved during the process, the KERIUS Finance service generated the following savings:

|               |       |
|---------------|-------|
| Value of 1 BP | 3 861 |
|---------------|-------|

|                  |
|------------------|
| <b>SANTANDER</b> |
|------------------|

|                      |               |
|----------------------|---------------|
| <b>Total savings</b> | <b>52 211</b> |
|----------------------|---------------|

|                                  |         |
|----------------------------------|---------|
| Market price without bank margin | 220 000 |
|----------------------------------|---------|

|                                   |         |
|-----------------------------------|---------|
| Price with standard bank margin * | 297 211 |
|-----------------------------------|---------|

|  |        |
|--|--------|
| Standard bank margin (20 basis points) * | 77 211 |
|--|--------|

|             |         |
|-------------|---------|
| Final price | 245 000 |
|-------------|---------|

|              |        |
|--------------|--------|
| Final margin | 25 000 |
|--------------|--------|

\* The standard margin taken by banks in this context is 20 to 25 basis points over the fixed rate or running premium compared to the rate / price without margin used above. A margin of 20 basis points is used for this comparison.

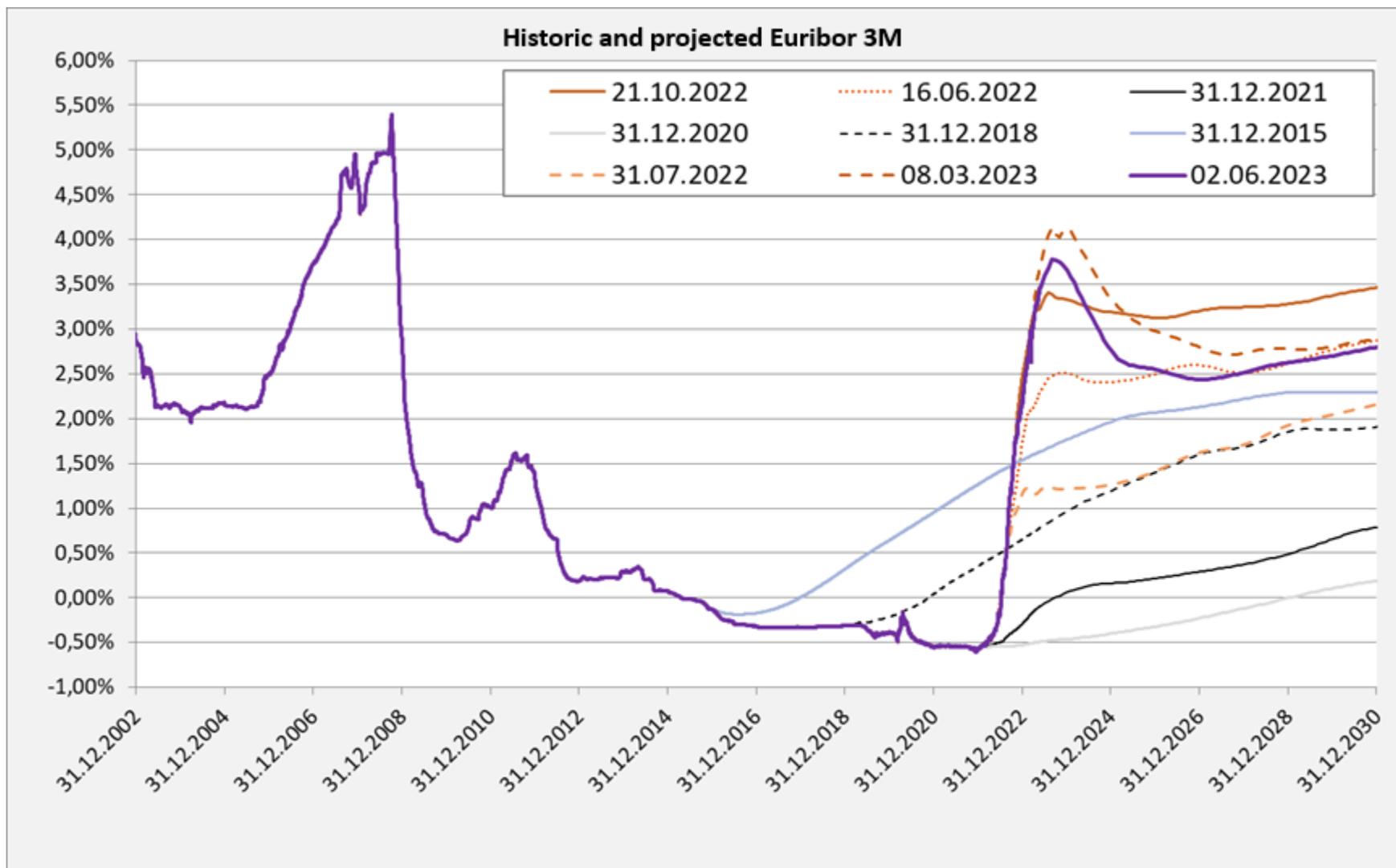
**The total savings are made in three stages in a "cooperative" way with the bank:**

- Choosing the optimal product: similar or identical products are often "priced" differently
- Preliminary negotiations before quotes tender (explanation of KERIUS method and target margin to be selected)
- Final negotiation at the end of the process

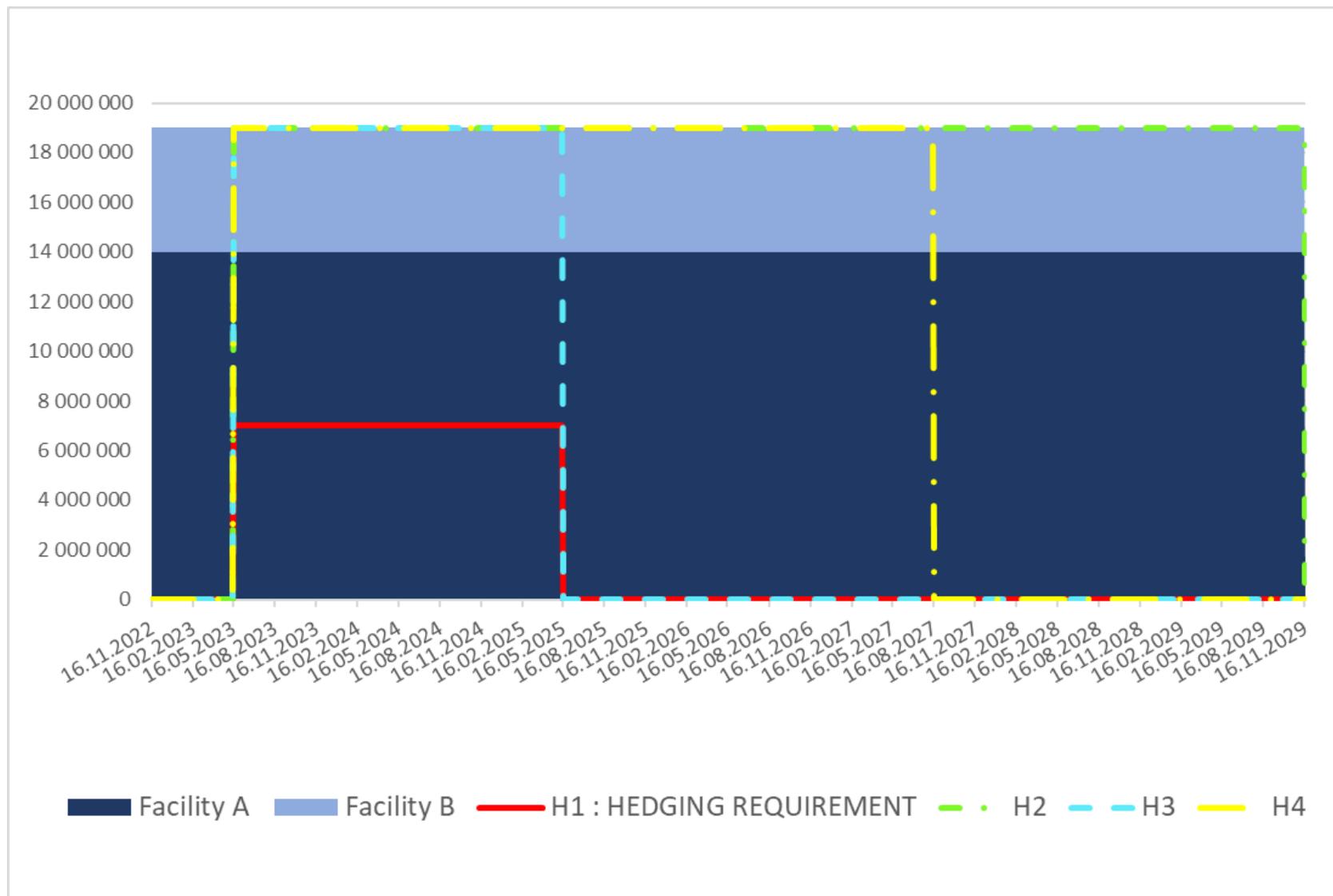
## Appendices

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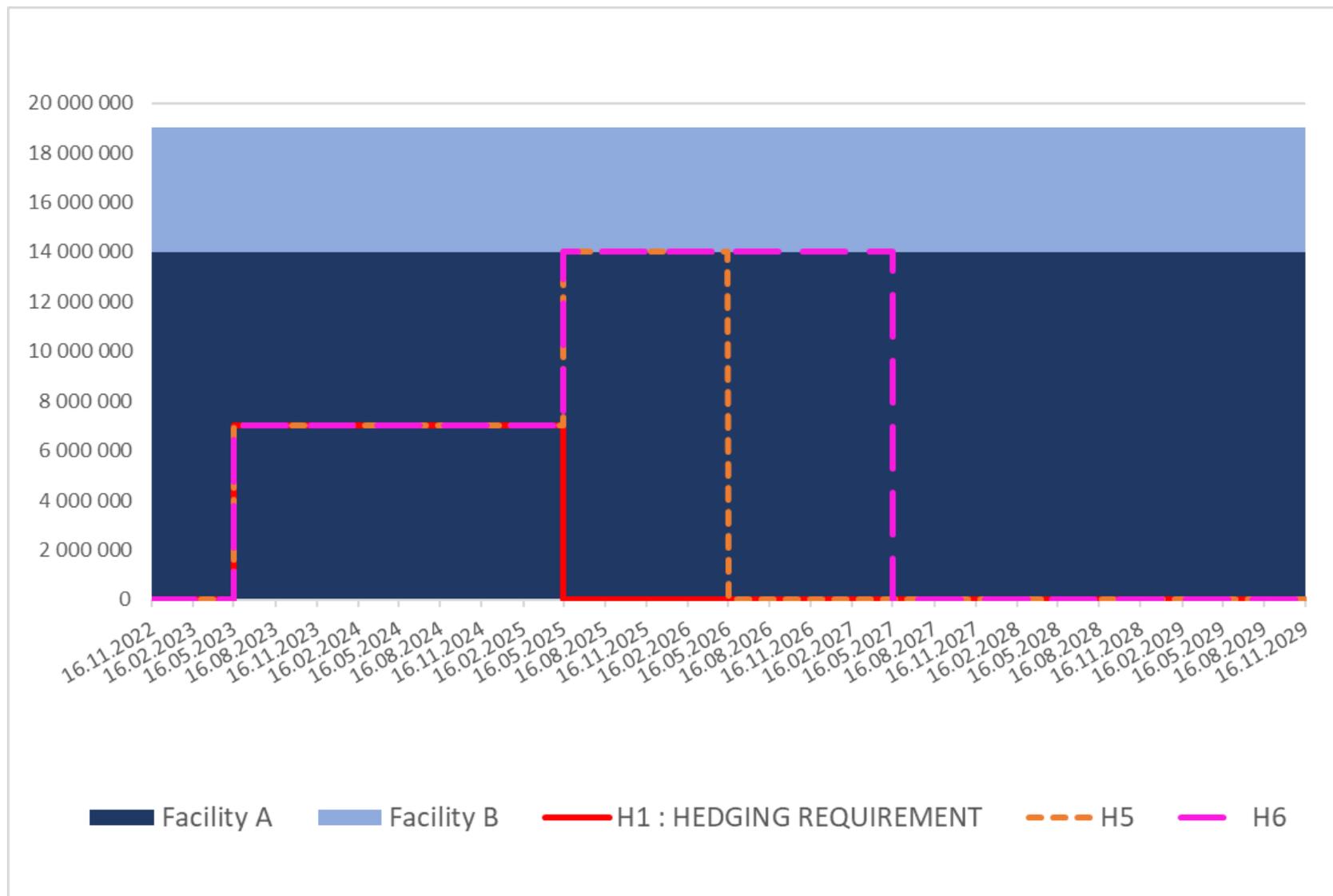
- Market Data : Historic and projected Euribor
- Recall : Financial expenses simulation
- Financing terms
- Recall : Profiles at maturity of different types of hedge



# New hedges: Various amounts and maturities possible



# New hedges: Various amounts and maturities possible



## Indicative quotations

### Products not recommended (27/03/2023)

| Hedging             | H1    | H2     | H3    | H4    | H5    | H6    |
|---------------------|-------|--------|-------|-------|-------|-------|
| Value of 1bp in EUR | 1 421 | 12 540 | 3 858 | 8 196 | 2 841 | 4 260 |
| Vanilla Swap        | 3,16% | 2,83%  | 3,15% | 2,90% | 2,94% | 2,84% |
| Swap with Floor     | 3,25% | 3,00%  | 3,25% | 3,04% | 3,07% | 2,99% |
| Cap 0% annualised   | 3,25% | 3,00%  | 3,25% | 3,04% | 3,07% | 2,99% |

There are many interest rate hedging products. There are certain products that we do not recommend or no longer recommend for various reasons, relating to a problem of efficiency or accounting (sometimes the two are linked) or comparative profitability. Product sheets are available in the appendix of this report to clarify the mechanisms and their intrinsic advantages/disadvantages. Here is a (non-exhaustive) list of products we do not recommend and the reasons why:

- **Cap 0%:**
  - Does not allow to benefit from a decrease in rates because this product, which is currently very expensive, completely freezes the interest rates
  - Requires more risk lines in the banks
  - This is a product that we recommended when Euribor rates were negative or close to zero
- **Interest rate swap (simple and floored) :**
  - Simple: toxic in a context of negative rates and therefore can be de-qualified and considered as a speculative product by the company's auditors even in a period of positive rates, which implies recording changes in the product's net asset value in financial income at each closing
  - Floored: increased bank margin for a product equivalent to Cap 0%, but sold at a higher price most of the time for reasons specific to the banks
- **Collar (purchase of cap / sale of floor):**
  - Does not guarantee a cap rate in the event of negative rates because the financing already includes a floor/floor at 0%, which induces an increase in the overall financing rate in the event of a fall in Euribor rates in the negative zone. As such, the product can be de-qualified and considered as a speculative product by the company's auditors even in a period of positive rates (in the same way as the simple swap).
- **Knock-out Cap**
  - Does not guarantee a cap rate, therefore it is not a hedging product and must be considered as speculative by the auditor
- **Knock-in Cap**
  - Increased bank margin and interesting product on very large amounts only to absorb additional bank costs.
- **Cap Spread (e.g.: buy 1% cap / sell 3% cap)**
  - Does not guarantee a cap rate and is never a hedging product in the event of a highly unfavorable rate scenario, so can be considered as speculative by auditors.

## Indicative quotations

### Products not recommended (11/04/2023)

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|---------------------|-------|--------|-------|-------|-------|-------|
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| Swap with Floor     | 3,26% | 3,01%  | 3,25% | 3,05% | 3,08% | 3,00% |
| Cap 0% annualised   | 3,26% | 3,01%  | 3,25% | 3,05% | 3,08% | 3,00% |

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- **Collar (purchase of cap / sale of floor):**
  - Does not guarantee a cap rate in the event of negative rates because the financing already includes a floor/floor at 0%, which induces an increase in the overall financing rate in the event of a fall in Euribor rates in the negative zone. As such, the product can be de-qualified and considered as a speculative product by the company's auditors even in a period of positive rates (in the same way as the simple swap).
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  - Does not guarantee a cap rate and is never a hedging product in the event of a highly unfavorable rate scenario, so can be considered as speculative by auditors.

## Indicatives quotations

### Recommended products (27/03/2023)

| Hedging                              | H1             | H2               | H3             | H4                | H5             | H6             |
|--------------------------------------|----------------|------------------|----------------|-------------------|----------------|----------------|
| <b>Duration</b>                      | <b>2 years</b> | <b>6,5 years</b> | <b>2 years</b> | <b>4,25 years</b> | <b>3 years</b> | <b>4 years</b> |
| <b>Index</b>                         | Euribor 3M     | Euribor 3M       | Euribor 3M     | Euribor 3M        | Euribor 3M     | Euribor 3M     |
| <b>Starting Notional Amount</b>      | 7 000 000      | 19 000 000       | 19 000 000     | 19 000 000        | 7 000 000      | 7 000 000      |
| <b>Notional Amount on 16/05/2025</b> | 7 000 000      | 19 000 000       | 19 000 000     | 19 000 000        | 14 000 000     | 14 000 000     |
| <b>Start of Period</b>               | 16.05.2023     | 16.05.2023       | 16.05.2023     | 16.05.2023        | 16.05.2023     | 16.05.2023     |
| <b>End of Period</b>                 | 16.05.2025     | 16.11.2029       | 16.05.2025     | 16.08.2027        | 16.05.2026     | 16.05.2027     |
| <b>Value of 1bp in EUR</b>           | 1 421          | 12 540           | 3 858          | 8 196             | 2 841          | 4 260          |

#### Annualised premium

|                            |              |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Cap 2,5% annualised</b> | <b>0,99%</b> | <b>1,04%</b> | <b>0,98%</b> | <b>0,98%</b> | <b>0,97%</b> | <b>0,98%</b> |
| Max Financing Rate         | 3,49%        | 3,54%        | 3,48%        | 3,48%        | 3,47%        | 3,48%        |

|                          |              |              |              |              |              |              |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Cap 3% annualised</b> | <b>0,66%</b> | <b>0,78%</b> | <b>0,66%</b> | <b>0,71%</b> | <b>0,69%</b> | <b>0,72%</b> |
| Max Financing Rate       | 3,66%        | 3,78%        | 3,66%        | 3,71%        | 3,69%        | 3,72%        |

|                            |              |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Cap 3,5% annualised</b> | <b>0,43%</b> | <b>0,59%</b> | <b>0,43%</b> | <b>0,52%</b> | <b>0,50%</b> | <b>0,53%</b> |
| Max Financing Rate         | 3,93%        | 4,09%        | 3,93%        | 4,02%        | 4,00%        | 4,03%        |

#### Options premium in EUR

|                 |         |           |         |         |         |         |
|-----------------|---------|-----------|---------|---------|---------|---------|
| <b>Cap 2,5%</b> | 135 100 | 1 180 000 | 364 400 | 752 700 | 260 900 | 387 100 |
| <b>Cap 3%</b>   | 90 200  | 890 300   | 243 100 | 544 700 | 186 300 | 285 100 |
| <b>Cap 3,5%</b> | 58 800  | 674 500   | 158 300 | 394 100 | 132 900 | 210 800 |

|  |          |
|--|----------|
| <b>Estimated Bank Margin in Basis Points (BP) included in the prices</b> | <b>7</b> |
|--|----------|

## Indicatives quotations

### Recommended products (11/04/2023)

| Hedging                              | H1             | H2               | H3             | H4                | H5             | H6             |
|--------------------------------------|----------------|------------------|----------------|-------------------|----------------|----------------|
| <b>Duration</b>                      | <b>2 years</b> | <b>6,5 years</b> | <b>2 years</b> | <b>4,25 years</b> | <b>3 years</b> | <b>4 years</b> |
| <b>Index</b>                         | Euribor 3M     | Euribor 3M       | Euribor 3M     | Euribor 3M        | Euribor 3M     | Euribor 3M     |
| <b>Starting Notional Amount</b>      | 7 000 000      | 19 000 000       | 19 000 000     | 19 000 000        | 7 000 000      | 7 000 000      |
| <b>Notional Amount on 16/05/2025</b> | 7 000 000      | 19 000 000       | 19 000 000     | 19 000 000        | 14 000 000     | 14 000 000     |
| <b>Start of Period</b>               | 16.05.2023     | 16.05.2023       | 16.05.2023     | 16.05.2023        | 16.05.2023     | 16.05.2023     |
| <b>End of Period</b>                 | 16.05.2025     | 16.11.2029       | 16.05.2025     | 16.08.2027        | 16.05.2026     | 16.05.2027     |
| <b>Value of 1bp in EUR</b>           | 1 421          | 12 540           | 3 858          | 8 196             | 2 841          | 4 260          |

#### Annualised premium

|                            |              |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Cap 2,5% annualised</b> | <b>1,02%</b> | <b>1,04%</b> | <b>1,02%</b> | <b>1,00%</b> | <b>0,99%</b> | <b>0,99%</b> |
| Max Financing Rate         | 3,52%        | 3,54%        | 3,52%        | 3,50%        | 3,49%        | 3,49%        |

|                          |              |              |              |              |              |              |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Cap 3% annualised</b> | <b>0,67%</b> | <b>0,77%</b> | <b>0,67%</b> | <b>0,70%</b> | <b>0,69%</b> | <b>0,71%</b> |
| Max Financing Rate       | 3,67%        | 3,77%        | 3,67%        | 3,70%        | 3,69%        | 3,71%        |

|                            |              |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Cap 3,5% annualised</b> | <b>0,41%</b> | <b>0,57%</b> | <b>0,40%</b> | <b>0,49%</b> | <b>0,47%</b> | <b>0,50%</b> |
| Max Financing Rate         | 3,91%        | 4,07%        | 3,90%        | 3,99%        | 3,97%        | 4,00%        |

#### Options premium in EUR

|                 |         |           |         |         |         |         |
|-----------------|---------|-----------|---------|---------|---------|---------|
| <b>Cap 2,5%</b> | 142 800 | 1 192 100 | 387 900 | 768 700 | 267 400 | 390 500 |
| <b>Cap 3%</b>   | 93 500  | 883 400   | 254 100 | 544 300 | 186 700 | 281 600 |
| <b>Cap 3,5%</b> | 56 700  | 647 200   | 154 200 | 375 700 | 126 300 | 199 800 |

|  |          |
|--|----------|
| <b>Estimated Bank Margin in Basis Points (BP) included in the prices</b> | <b>7</b> |
|--|----------|

Example of annualized premium payments:

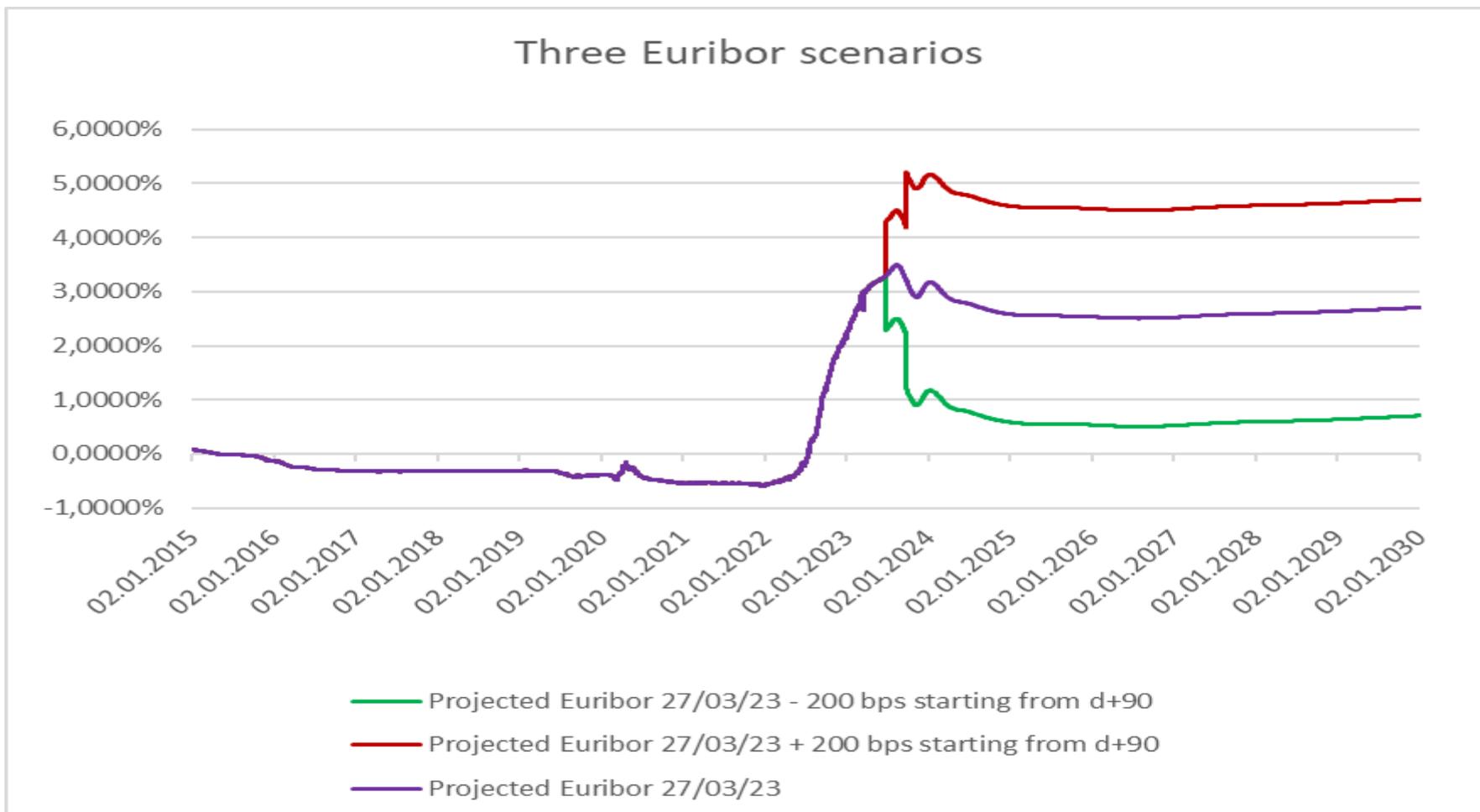
H2 Cap 2.5%

| Fixing     | Start      | End        | Payment    | Notional   | Premium to be paid | Remaining to be paid in case of settlement |
|------------|------------|------------|------------|------------|--------------------|--|
| 12.05.2023 | 16.05.2023 | 16.08.2023 | 16.08.2023 | 19 000 000 | 45 690             | -1 134 310                                 |
| 14.08.2023 | 16.08.2023 | 16.11.2023 | 16.11.2023 | 19 000 000 | 45 690             | -1 088 620                                 |
| 14.11.2023 | 16.11.2023 | 16.02.2024 | 16.02.2024 | 19 000 000 | 45 690             | -1 042 929                                 |
| 14.02.2024 | 16.02.2024 | 16.05.2024 | 16.05.2024 | 19 000 000 | 44 697             | -998 232                                   |
| 14.05.2024 | 16.05.2024 | 16.08.2024 | 16.08.2024 | 19 000 000 | 45 690             | -952 542                                   |
| 14.08.2024 | 16.08.2024 | 18.11.2024 | 18.11.2024 | 19 000 000 | 46 684             | -905 859                                   |
| 14.11.2024 | 18.11.2024 | 17.02.2025 | 17.02.2025 | 19 000 000 | 45 194             | -860 665                                   |
| 13.02.2025 | 17.02.2025 | 16.05.2025 | 16.05.2025 | 19 000 000 | 43 704             | -816 961                                   |
| 14.05.2025 | 16.05.2025 | 18.08.2025 | 18.08.2025 | 19 000 000 | 46 684             | -770 278                                   |
| 14.08.2025 | 18.08.2025 | 17.11.2025 | 17.11.2025 | 19 000 000 | 45 194             | -725 084                                   |
| 13.11.2025 | 17.11.2025 | 16.02.2026 | 16.02.2026 | 19 000 000 | 45 194             | -679 891                                   |
| 12.02.2026 | 16.02.2026 | 18.05.2026 | 18.05.2026 | 19 000 000 | 45 194             | -634 697                                   |
| 14.05.2026 | 18.05.2026 | 17.08.2026 | 17.08.2026 | 19 000 000 | 45 194             | -589 503                                   |
| 13.08.2026 | 17.08.2026 | 16.11.2026 | 16.11.2026 | 19 000 000 | 45 194             | -544 310                                   |
| 12.11.2026 | 16.11.2026 | 16.02.2027 | 16.02.2027 | 19 000 000 | 45 690             | -498 620                                   |
| 12.02.2027 | 16.02.2027 | 17.05.2027 | 17.05.2027 | 19 000 000 | 44 697             | -453 923                                   |
| 13.05.2027 | 17.05.2027 | 16.08.2027 | 16.08.2027 | 19 000 000 | 45 194             | -408 729                                   |
| 12.08.2027 | 16.08.2027 | 16.11.2027 | 16.11.2027 | 19 000 000 | 45 690             | -363 039                                   |
| 12.11.2027 | 16.11.2027 | 16.02.2028 | 16.02.2028 | 19 000 000 | 45 690             | -317 348                                   |
| 14.02.2028 | 16.02.2028 | 16.05.2028 | 16.05.2028 | 19 000 000 | 44 697             | -272 652                                   |
| 12.05.2028 | 16.05.2028 | 16.08.2028 | 16.08.2028 | 19 000 000 | 45 690             | -226 961                                   |
| 14.08.2028 | 16.08.2028 | 16.11.2028 | 16.11.2028 | 19 000 000 | 45 690             | -181 271                                   |
| 14.11.2028 | 16.11.2028 | 16.02.2029 | 16.02.2029 | 19 000 000 | 45 690             | -135 581                                   |
| 14.02.2029 | 16.02.2029 | 16.05.2029 | 16.05.2029 | 19 000 000 | 44 200             | -91 380                                    |
| 14.05.2029 | 16.05.2029 | 16.08.2029 | 16.08.2029 | 19 000 000 | 45 690             | -45 690                                    |
| 14.08.2029 | 16.08.2029 | 16.11.2029 | 16.11.2029 | 19 000 000 | 45 690             | 0  |

Running premium 1,04%

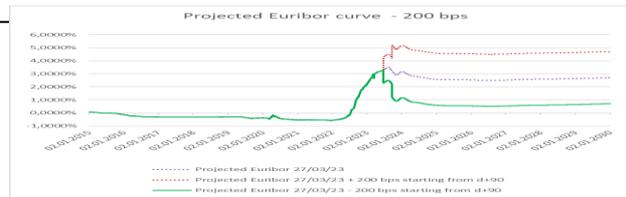
Total 1 180 000

## Simulation of financial expenses with four Euribor evolution scenarios

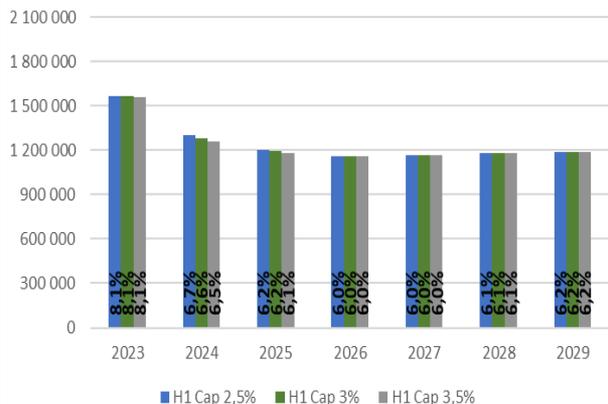


All financial expenses simulations start on 2023. They include the credit margin **5,5%** (Facility A and B), Euribor3m variations' impact, existing hedge related costs and the cost of setting up the new hedge.

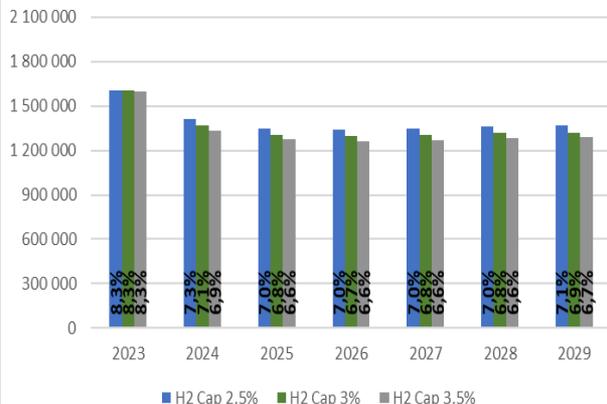
# Simulation in expected Euribor - 2% Scenario



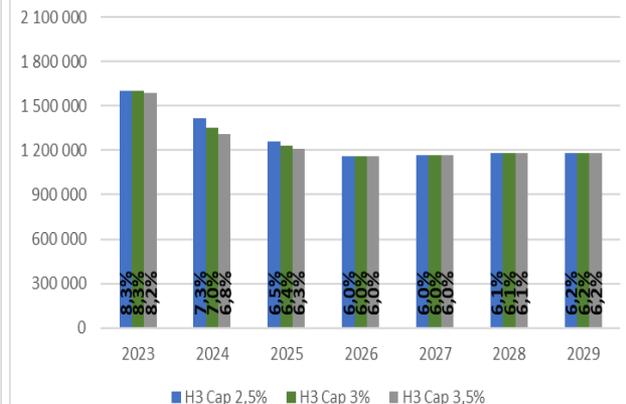
STRATEGY H1



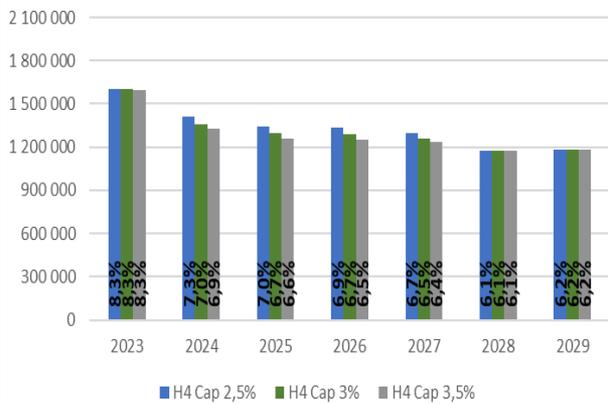
STRATEGY H2



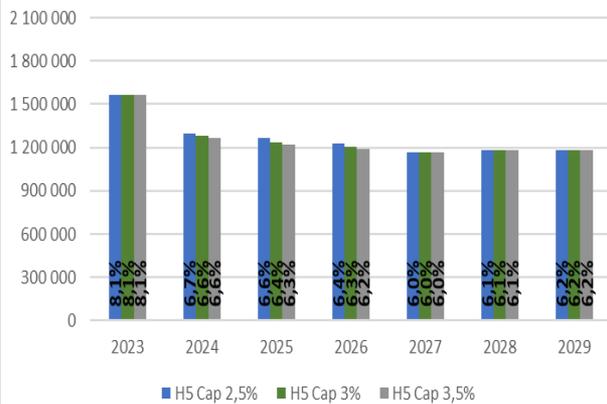
STRATEGY H3



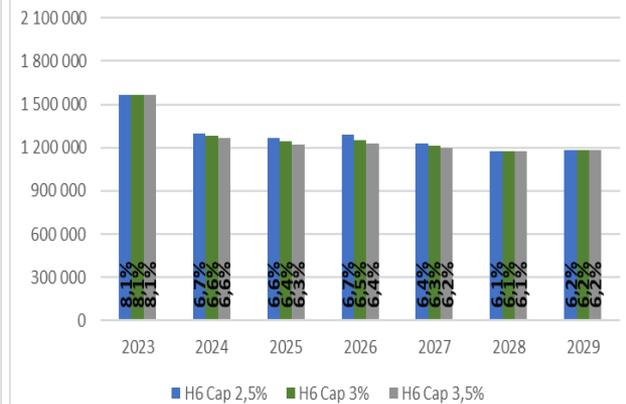
STRATEGY H4



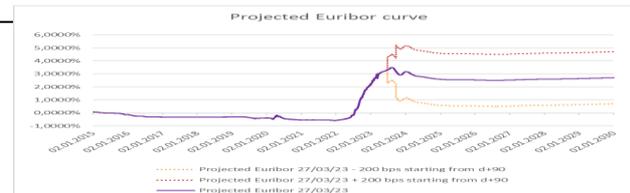
STRATEGY H5



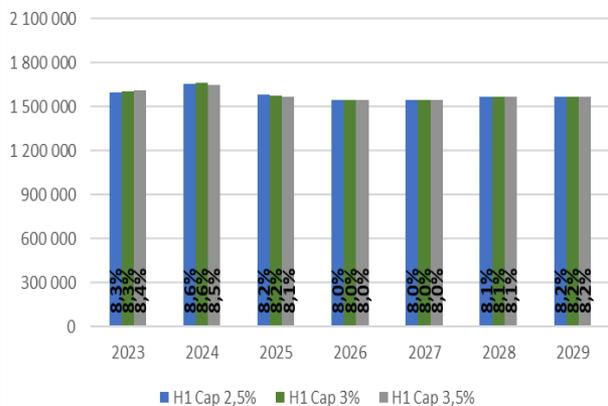
STRATEGY H6



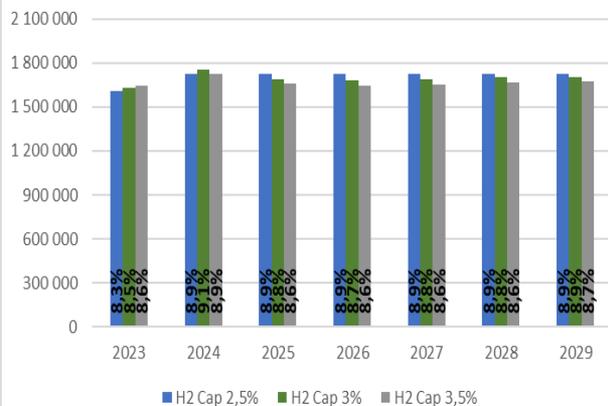
# Financial expenses simulation in expected Euribor Scenario



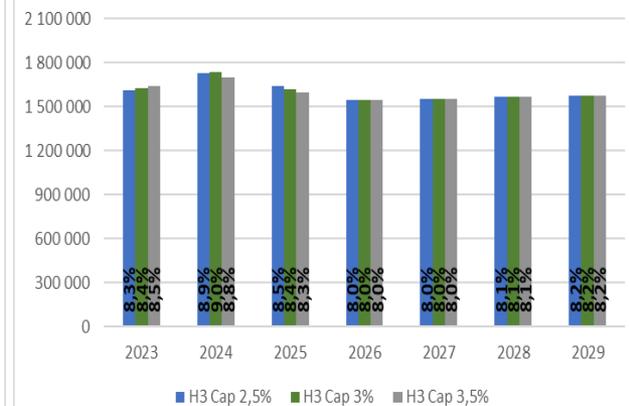
STRATEGY H1



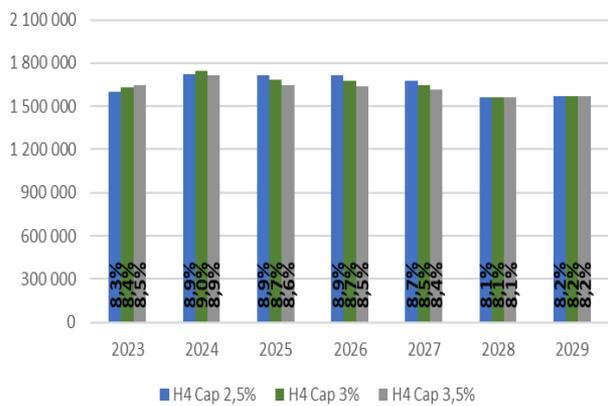
STRATEGY H2



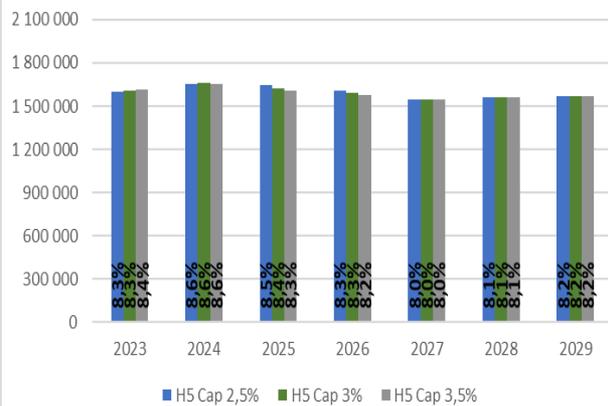
STRATEGY H3



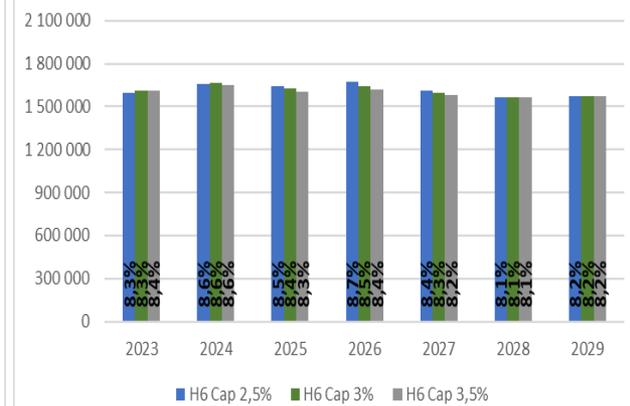
STRATEGY H4



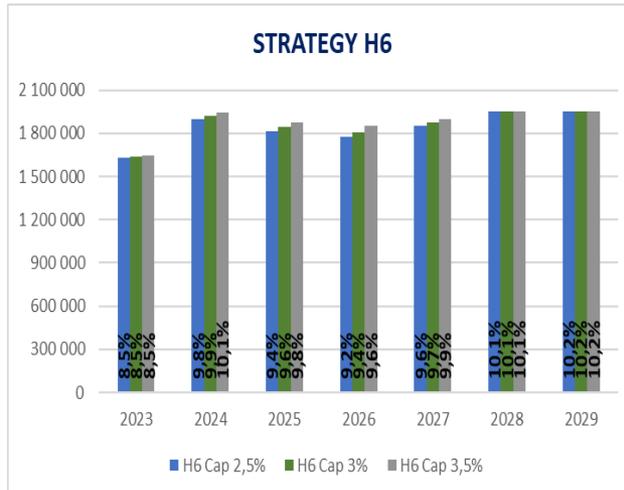
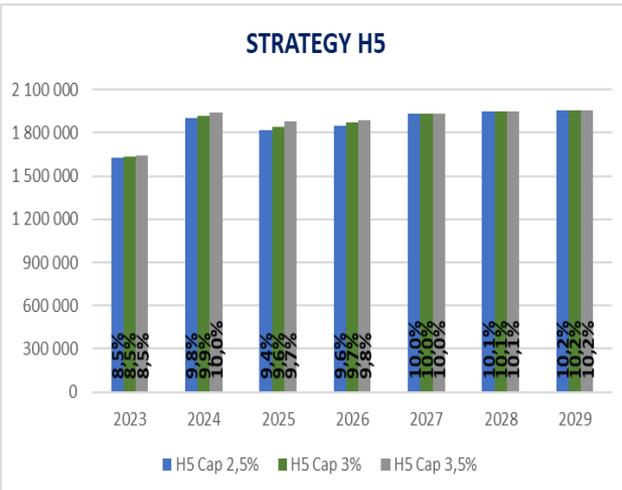
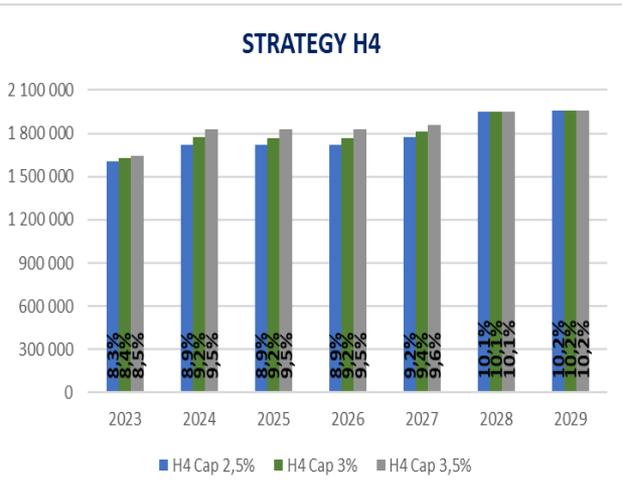
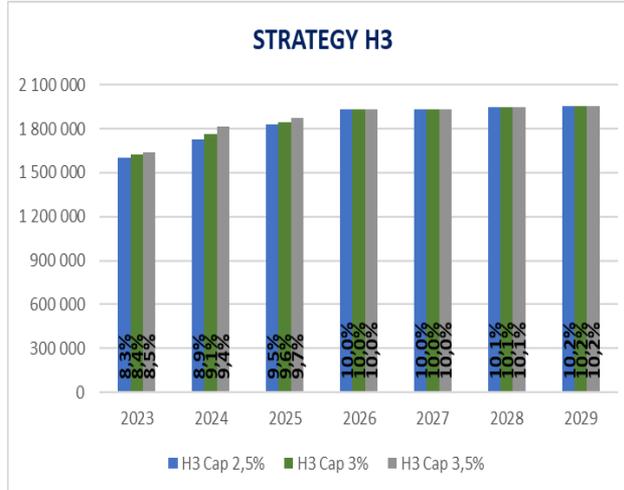
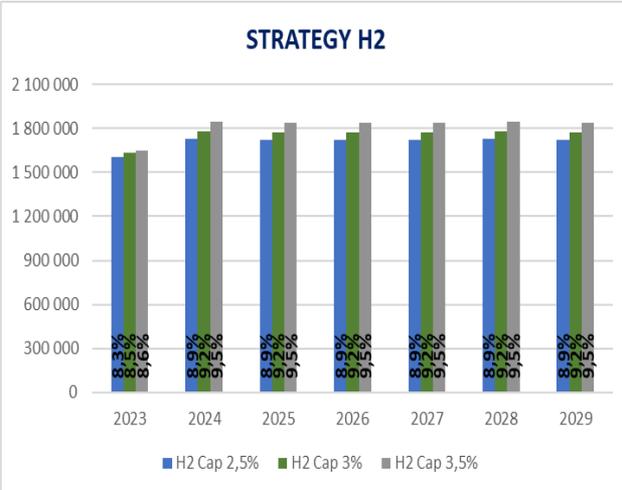
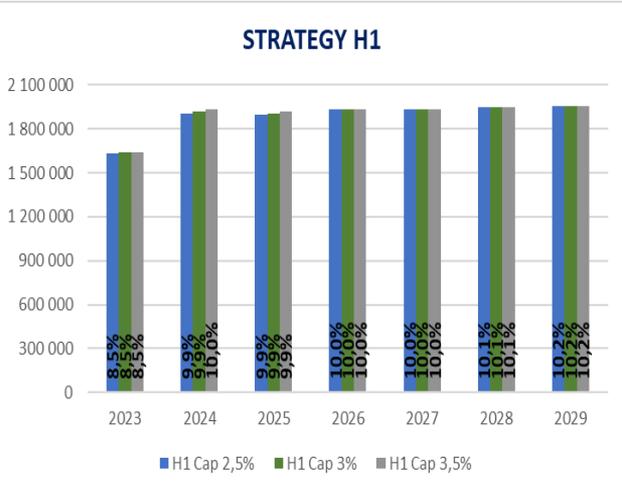
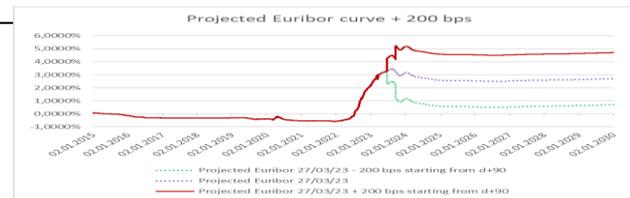
STRATEGY H5



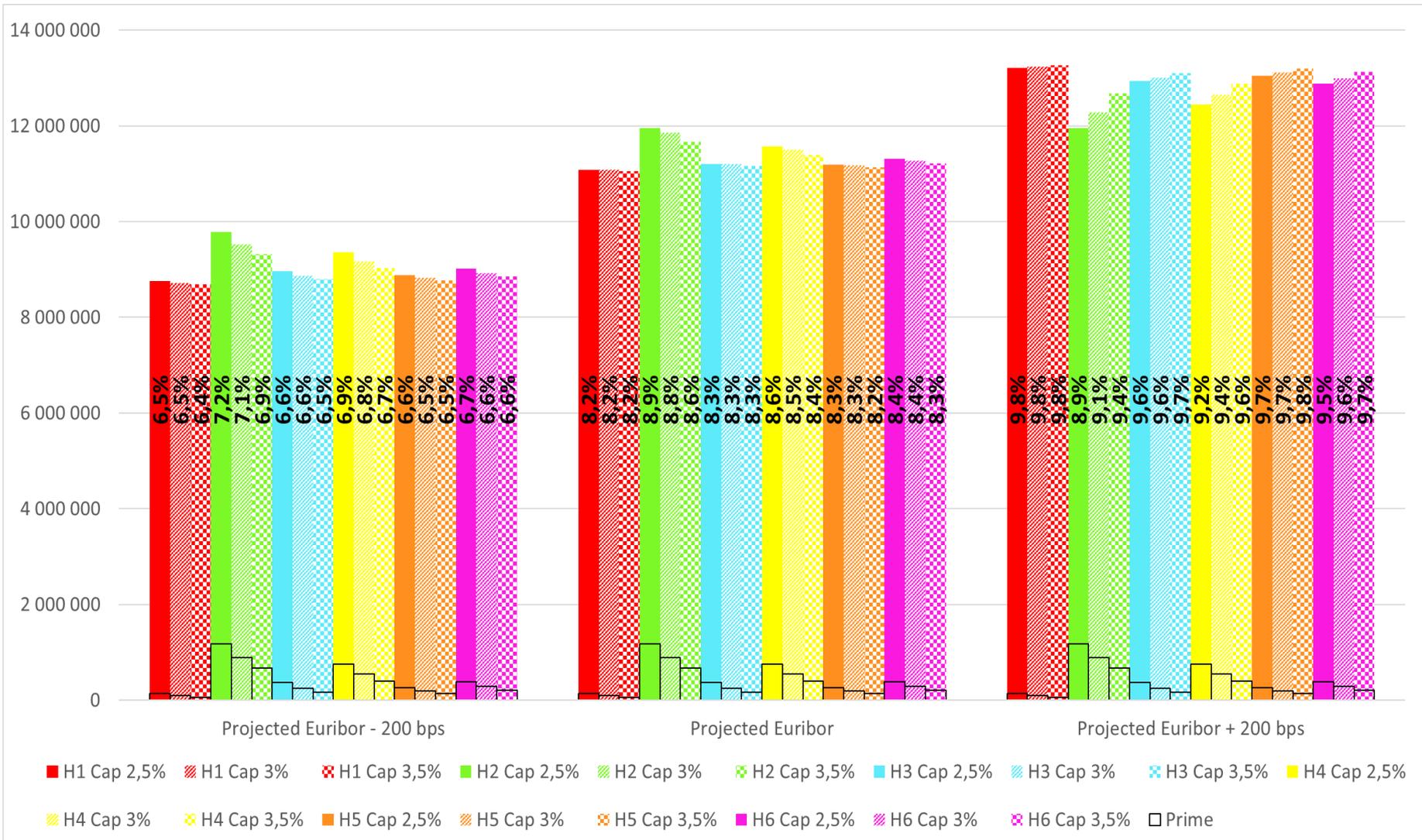
STRATEGY H6



# Financial expenses simulation in expected Euribor Scenario



## Synthesis of financial costs simulation (over the total duration of the financing, hedging cost included – APR approach)



Synthesis of financial costs simulation  
(over the total duration of the financing, hedging cost included – APR approach)

|                             | STRATEGY H1 |            |             | STRATEGY H2 |            |             | STRATEGY H3 |            |             |
|-----------------------------|-------------|------------|-------------|-------------|------------|-------------|-------------|------------|-------------|
|                             | H1 Cap 2,5% | H1 Cap 3%  | H1 Cap 3,5% | H2 Cap 2,5% | H2 Cap 3%  | H2 Cap 3,5% | H3 Cap 2,5% | H3 Cap 3%  | H3 Cap 3,5% |
| Projected Euribor - 200 bps | 8 757 989   | 8 722 034  | 8 693 893   | 9 781 968   | 9 516 546  | 9 309 593   | 8 966 368   | 8 869 346  | 8 793 393   |
| Projected Euribor           | 11 072 475  | 11 074 005 | 11 056 227  | 11 949 312  | 11 850 754 | 11 671 927  | 11 198 828  | 11 203 554 | 11 155 727  |
| Projected Euribor + 200 bps | 13 204 197  | 13 230 366 | 13 264 351  | 11 949 312  | 12 286 612 | 12 682 382  | 12 935 217  | 13 006 820 | 13 099 492  |

|                             | STRATEGY H4 |            |             | STRATEGY H5 |            |             | STRATEGY H6 |            |             |
|-----------------------------|-------------|------------|-------------|-------------|------------|-------------|-------------|------------|-------------|
|                             | H4 Cap 2,5% | H4 Cap 3%  | H4 Cap 3,5% | H5 Cap 2,5% | H5 Cap 3%  | H5 Cap 3,5% | H6 Cap 2,5% | H6 Cap 3%  | H6 Cap 3,5% |
| Projected Euribor - 200 bps | 9 354 668   | 9 170 946  | 9 029 193   | 8 883 789   | 8 818 134  | 8 767 993   | 9 009 989   | 8 916 934  | 8 845 893   |
| Projected Euribor           | 11 573 715  | 11 505 154 | 11 391 527  | 11 192 290  | 11 170 105 | 11 130 327  | 11 316 535  | 11 268 905 | 11 208 227  |
| Projected Euribor + 200 bps | 12 442 438  | 12 644 257 | 12 888 046  | 13 040 124  | 13 107 565 | 13 190 522  | 12 880 479  | 12 991 493 | 13 124 522  |

## Amortization table

| FIXING DATE | START DATE | END DATE   | PAYEMENT DATE | Facility A |            | Facility B |           | TOTAL DEBT | H1 : HEDGING REQUIREMENT |
|-------------|------------|------------|---------------|------------|------------|------------|-----------|------------|--------------------------|
|             |            |            |               | Amort.     | CRD        | Amort.     | CRD       |            |                          |
| 14.11.2022  | 16.11.2022 | 16.02.2023 | 16.02.2023    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 14.02.2023  | 16.02.2023 | 16.05.2023 | 16.05.2023    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 12.05.2023  | 16.05.2023 | 16.08.2023 | 16.08.2023    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                |
| 14.08.2023  | 16.08.2023 | 16.11.2023 | 16.11.2023    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                |
| 14.11.2023  | 16.11.2023 | 16.02.2024 | 16.02.2024    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                |
| 14.02.2024  | 16.02.2024 | 16.05.2024 | 16.05.2024    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                |
| 14.05.2024  | 16.05.2024 | 16.08.2024 | 16.08.2024    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                |
| 14.08.2024  | 16.08.2024 | 18.11.2024 | 18.11.2024    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                |
| 14.11.2024  | 18.11.2024 | 17.02.2025 | 17.02.2025    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                |
| 13.02.2025  | 17.02.2025 | 16.05.2025 | 16.05.2025    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 7 000 000                |
| 14.05.2025  | 16.05.2025 | 18.08.2025 | 18.08.2025    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 14.08.2025  | 18.08.2025 | 17.11.2025 | 17.11.2025    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 13.11.2025  | 17.11.2025 | 16.02.2026 | 16.02.2026    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 12.02.2026  | 16.02.2026 | 18.05.2026 | 18.05.2026    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 14.05.2026  | 18.05.2026 | 17.08.2026 | 17.08.2026    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 13.08.2026  | 17.08.2026 | 16.11.2026 | 16.11.2026    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 12.11.2026  | 16.11.2026 | 16.02.2027 | 16.02.2027    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 12.02.2027  | 16.02.2027 | 17.05.2027 | 17.05.2027    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 13.05.2027  | 17.05.2027 | 16.08.2027 | 16.08.2027    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 12.08.2027  | 16.08.2027 | 16.11.2027 | 16.11.2027    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 12.11.2027  | 16.11.2027 | 16.02.2028 | 16.02.2028    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 14.02.2028  | 16.02.2028 | 16.05.2028 | 16.05.2028    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 12.05.2028  | 16.05.2028 | 16.08.2028 | 16.08.2028    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 14.08.2028  | 16.08.2028 | 16.11.2028 | 16.11.2028    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 14.11.2028  | 16.11.2028 | 16.02.2029 | 16.02.2029    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 14.02.2029  | 16.02.2029 | 16.05.2029 | 16.05.2029    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 14.05.2029  | 16.05.2029 | 16.08.2029 | 16.08.2029    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 14.08.2029  | 16.08.2029 | 16.11.2029 | 16.11.2029    | 0          | 14 000 000 | 0          | 5 000 000 | 19 000 000 | 0                        |
| 14.11.2029  | 16.11.2029 | 18.02.2030 | 18.02.2030    | 14 000 000 | 0          | 5 000 000  | 0         | 0          | 0                        |

## Amortization table

| FIXING DATE | START DATE | END DATE   | PAYEMENT DATE | H2         | H3         | H4         | H5         | H6         |
|-------------|------------|------------|---------------|------------|------------|------------|------------|------------|
| 14.11.2022  | 16.11.2022 | 16.02.2023 | 16.02.2023    | 0          | 0          | 0          | 0          | 0          |
| 14.02.2023  | 16.02.2023 | 16.05.2023 | 16.05.2023    | 0          | 0          | 0          | 0          | 0          |
| 12.05.2023  | 16.05.2023 | 16.08.2023 | 16.08.2023    | 19 000 000 | 19 000 000 | 19 000 000 | 7 000 000  | 7 000 000  |
| 14.08.2023  | 16.08.2023 | 16.11.2023 | 16.11.2023    | 19 000 000 | 19 000 000 | 19 000 000 | 7 000 000  | 7 000 000  |
| 14.11.2023  | 16.11.2023 | 16.02.2024 | 16.02.2024    | 19 000 000 | 19 000 000 | 19 000 000 | 7 000 000  | 7 000 000  |
| 14.02.2024  | 16.02.2024 | 16.05.2024 | 16.05.2024    | 19 000 000 | 19 000 000 | 19 000 000 | 7 000 000  | 7 000 000  |
| 14.05.2024  | 16.05.2024 | 16.08.2024 | 16.08.2024    | 19 000 000 | 19 000 000 | 19 000 000 | 7 000 000  | 7 000 000  |
| 14.08.2024  | 16.08.2024 | 18.11.2024 | 18.11.2024    | 19 000 000 | 19 000 000 | 19 000 000 | 7 000 000  | 7 000 000  |
| 14.11.2024  | 18.11.2024 | 17.02.2025 | 17.02.2025    | 19 000 000 | 19 000 000 | 19 000 000 | 7 000 000  | 7 000 000  |
| 13.02.2025  | 17.02.2025 | 16.05.2025 | 16.05.2025    | 19 000 000 | 19 000 000 | 19 000 000 | 7 000 000  | 7 000 000  |
| 14.05.2025  | 16.05.2025 | 18.08.2025 | 18.08.2025    | 19 000 000 | 0          | 19 000 000 | 14 000 000 | 14 000 000 |
| 14.08.2025  | 18.08.2025 | 17.11.2025 | 17.11.2025    | 19 000 000 | 0          | 19 000 000 | 14 000 000 | 14 000 000 |
| 13.11.2025  | 17.11.2025 | 16.02.2026 | 16.02.2026    | 19 000 000 | 0          | 19 000 000 | 14 000 000 | 14 000 000 |
| 12.02.2026  | 16.02.2026 | 18.05.2026 | 18.05.2026    | 19 000 000 | 0          | 19 000 000 | 14 000 000 | 14 000 000 |
| 14.05.2026  | 18.05.2026 | 17.08.2026 | 17.08.2026    | 19 000 000 | 0          | 19 000 000 | 0          | 14 000 000 |
| 13.08.2026  | 17.08.2026 | 16.11.2026 | 16.11.2026    | 19 000 000 | 0          | 19 000 000 | 0          | 14 000 000 |
| 12.11.2026  | 16.11.2026 | 16.02.2027 | 16.02.2027    | 19 000 000 | 0          | 19 000 000 | 0          | 14 000 000 |
| 12.02.2027  | 16.02.2027 | 17.05.2027 | 17.05.2027    | 19 000 000 | 0          | 19 000 000 | 0          | 14 000 000 |
| 13.05.2027  | 17.05.2027 | 16.08.2027 | 16.08.2027    | 19 000 000 | 0          | 19 000 000 | 0          | 0          |
| 12.08.2027  | 16.08.2027 | 16.11.2027 | 16.11.2027    | 19 000 000 | 0          | 0          | 0          | 0          |
| 12.11.2027  | 16.11.2027 | 16.02.2028 | 16.02.2028    | 19 000 000 | 0          | 0          | 0          | 0          |
| 14.02.2028  | 16.02.2028 | 16.05.2028 | 16.05.2028    | 19 000 000 | 0          | 0          | 0          | 0          |
| 12.05.2028  | 16.05.2028 | 16.08.2028 | 16.08.2028    | 19 000 000 | 0          | 0          | 0          | 0          |
| 14.08.2028  | 16.08.2028 | 16.11.2028 | 16.11.2028    | 19 000 000 | 0          | 0          | 0          | 0          |
| 14.11.2028  | 16.11.2028 | 16.02.2029 | 16.02.2029    | 19 000 000 | 0          | 0          | 0          | 0          |
| 14.02.2029  | 16.02.2029 | 16.05.2029 | 16.05.2029    | 19 000 000 | 0          | 0          | 0          | 0          |
| 14.05.2029  | 16.05.2029 | 16.08.2029 | 16.08.2029    | 19 000 000 | 0          | 0          | 0          | 0          |
| 14.08.2029  | 16.08.2029 | 16.11.2029 | 16.11.2029    | 19 000 000 | 0          | 0          | 0          | 0          |
| 14.11.2029  | 16.11.2029 | 18.02.2030 | 18.02.2030    | 0          | 0          | 0          | 0          | 0          |

## Next steps

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- Finalize a choice of strategy
- Initiate discussions with banks to ensure they are prepared to address the type of strategy being considered and finalize regulatory documentation.
- Ask them for indicative quotations
- Organize the transaction

## Appendices

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- Euribor curves used for the financial expense simulations
- Financing terms
- Profiles at maturity of different types of hedge

## Ineffectiveness of simple swaps ( and tunnels/collars) in case of a floor in the financing

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A video detailing this concern is visible on the blog of KERIUS Finance [by clicking here](#).

The financing contract provides that the Libor cannot be negative, therefore the bank will not pay interest to the borrower.

An Interest Rate swap which allows to fix the rate of a debt is a contract by which the company undertakes to:

- Receive a floating rate on the amount of the hedged debt (to cancel the floating rate of the financing contract)
- Pay a fixed rate on the same amount.

A conventional swap, which does not replicate this floor, that is to say whose variable "leg" does not also include a floor, has two disadvantages when the index (Libor/Euribor) is negative :

- No cap on the overall financing rate: the negative Libor rate is added to the fixed rate to be paid by the company.
- Potential problem with hedge accounting: if hedges are no longer considered as effective by the Auditors as a result of this issue, all mark-to-market swap fluctuations will be recorded In financial result (i.e. not deferred in time).

A similar problem arises with the collar: the floor of the collar doubles the floor of the financing. In the event of negative rates, it induces a loss which increases the financial expenses beyond the threshold rate (cap).

### **Technical solutions:**

- Include in the swap a floor replicating that of the financing, but this has a cost. See simulations.
- Opt for a hedging with a **Cap**, which cannot generate negative valuation in the event of negative rates.

## Financing clauses

### Facilities

#### SENIOR FACILITIES AGREEMENT

**Signing Date** means the date of this Agreement.

**Closing Date** means the date on which Facility A is made available to the Company .

**Acquisition Agreement** means the share purchase agreement in the English language entitled "Shares Purchase and Contribution Agreement" entered into in relation to the Acquisition between the Vendors and the Borrower originally dated 8 April 2022 as amended on 30 August 2022 by virtue of an amendment and assignment agreement.

#### FOCUS INSURANCE HOLDING, S.L.U.

as the Borrower

**Total Facility A Commitments** means the aggregate of the Facility A Commitments, being in aggregate EUR 14,000,000 at the Signing Date.

#### ARDIAN PRIVATE DEBT V SARL

as Agent and as Security Agent

**Total Facility B Commitments** means the aggregate of the Facility B Commitments, being in aggregate EUR 26,000,000 at the Signing Date.

**Uncommitted Facility** means any senior term loan facility which may be granted to the Borrower pursuant to Clause 2.2 (*Uncommitted Facility*).

#### BONNEFONT 3 SARL

as Arranger

**Uncommitted Facility Commitment** means:

- (a) in relation to any Lender party to a Commitment Notice, the amount that such Lender has agreed to commit under that Uncommitted Facility; and
- (b) in relation to any other Lender, the amount of any Uncommitted Facility Commitment (under that Facility) transferred to it under this Agreement,

16 NOVEMBER 2022

to the extent not cancelled, reduced or transferred by it under this Agreement.

## Financing clauses

### Reimbursement

**Maturity Date** means:

- (a) in relation to the Facility A and the Facility B, the date falling seven (7) years after the Closing Date; and
- (b) in relation to an Uncommitted Facility, the maturity date set forth in the relevant Commitment Notice, which shall not be earlier than the Maturity Date in relation to the Facility B.

#### 6. **REPAYMENT**

- (a) The Company shall repay all Loans in respect of any Facility in full on the Maturity Date.
- (b) The Borrower may not reborrow any part of any Facility which is repaid.

## Financing clauses

### Hedging Requirement

**Hedging Agreement** means any master agreement, confirmation, schedule or other agreement in agreed form entered into or to be entered into by the Borrower and for a Hedging Bank for the purpose of hedging the types of liabilities and/or risks in relation to the Facilities which is required to be hedged pursuant to Clause 22.27 (*Hedging*), including the meaning given to this term in the Spanish Securities Exchange Law ("*Ley de Mercado de Valores*").

**Hedging Bank** means any entity which has entered into a Hedging Agreement and has become a party to the Intercreditor Agreement as a Hedging Lender (as defined therein) in accordance with the Intercreditor Agreement.

#### 22.26 HEDGING

- (a) The Company shall ensure that at least 50 per cent. of the aggregate of the principal amount at any time outstanding under the Facility A is protected from interest rate risks for a period of two (2) years from the Closing Date through Hedging Agreements to be entered into within 6 Months from the date of the Acquisition.
- (b) For the avoidance of doubt, the Group is authorized to enter into any Permitted Treasury Transaction.

## Financing clauses

### Interest

**Effective Yield** means, as of any date of determination, the sum of (without double counting):

- (a) the original interest rate margin as of such date as applicable to the relevant Uncommitted Facility expressed as a percentage per annum (taking into account any EURIBOR floor as applicable to the relevant Uncommitted Facility on such date); and
- (b) the amount of any applicable fees (including any arrangement, commitment or upfront fees but excluding agency fees) payable by reference to or in connection with the relevant Uncommitted Facility (expressed as a percentage per annum and converted to yield assuming a three (3) year average life).

**EURIBOR** means, in relation to any Loan:

- (a) the applicable Screen Rate as of the Specified Time for euro and for a period equal in length to the Interest Period of that Loan; or
- (b) as otherwise determined pursuant to Clause 12.1 (*Unavailability of Screen Rate*),

and if any such rate is below zero, EURIBOR will be deemed to be zero.

**Margin** means :

- (a) in relation to any Facility A Loan, 5.50% per annum at the Closing Date;
- (b) in relation to any Facility B Loan, 5.50% per annum at the Closing Date;
- (c) in relation to any Uncommitted Facility Loan, the margin agreed with the relevant Lenders in accordance with Clause 2.2 (*Uncommitted Facility*),

subject, where applicable, to adjustments in accordance with Clause 10.2 (*Margin Adjustment*) and Clause 10.4 (*Toggle*), and, as regards any Uncommitted Facility, as otherwise agreed between the Lenders making available that Uncommitted Facility and the Company.

## Financing clauses

### Interest

#### 10. INTEREST

##### 10.1 CALCULATION AND PAYMENT OF INTEREST

- (a) The rate of interest on each Loan of each Facility for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:
- (i) Margin; and
  - (ii) EURIBOR.
- (b) The Borrower shall pay accrued interest representing the applicable Margin and EURIBOR (the **Interest**) on each Loan of each Facility in cash on the last day of each Interest Period, subject to the Clause 10.4 (Toggle) below (and, if the Interest Period is longer than six (6) Months, on the dates falling at six (6) Monthly intervals after the first day of the Interest Period).

##### 10.2 MARGIN ADJUSTMENT

- (a) Subject to this Clause 10.2, the Margin shall be adjusted by reference to the Leverage Ratio as from the first day of the Interest Period during which the Agent receives the relevant Compliance Certificate, to equal the rate per annum specified opposite the relevant range set out in the following table:
- (i) if as at a Test Date the Consolidated EBITDA is equal to or lower than €12,000,000:

| Leverage Ratio                                       | Margin (% per annum) |
|--|----------------------|
| Greater than 4.00:1                                  | 6.25                 |
| Less than or equal to 4.00:1 but greater than 3.25:1 | 6.00                 |
| Less than or equal to 3.25:1 but greater than 2.50:1 | 5.75                 |
| Less than or equal to 2.50:1                         | 5.50                 |

- (ii) if as at a Test Date the Consolidated EBITDA is greater than €12,000,000:

| Leverage Ratio                                       | Margin (% per annum) |
|--|----------------------|
| Greater than 4.00:1                                  | 6.125                |
| Less than or equal to 4.00:1 but greater than 3.25:1 | 5.875                |
| Less than or equal to 3.25:1 but greater than 2.50:1 | 5.625                |
| Less than or equal to 2.50:1                         | 5.50                 |

## Financing clauses

### Interest

#### 11. INTEREST PERIODS

##### 11.1 SELECTION OF INTEREST PERIODS

- (a) The Borrower may select an Interest Period for a Loan in the Utilisation Request for that Loan or (if the Loan is a Loan and has already been borrowed) in a Selection Notice. Each Selection Notice for a Loan is irrevocable and must be delivered to the Agent by the Borrower to which that Loan was made not later than the Specified Time. If the Borrower fails to deliver a Selection Notice to the Agent in accordance with this paragraph, the relevant Interest Period will be three (3) Months.
- (b) The Borrower may select an Interest Period that is not a Compound Interest Period of:
  - (i) three (3) or six (6) Months; or
  - (ii) any period agreed between the Borrower and the Lenders.
- (c) Notwithstanding paragraphs (a) (b) above the first Interest Period for Facility A Loans and Facility B Loans shall be of the duration agreed between the Company and the Agent (including any period shorter than one (1) Month or one (1) week) and each subsequent Interest Period shall be determined pursuant to this Clause 11.1.
- (d) An Interest Period for a Loan shall not extend beyond the Maturity Date applicable to its Facility.
- (e) Each Interest Period for a Loan shall start on the Utilisation Date or (if already made) on the last day of its preceding Interest Period.
- (f) The Borrower may select an interest Period of any other period than those specified in paragraph (b) above in relation to a Facility if necessary or desirable to align interest payment date(s) with any interest rate or currency hedging or any other hedging arrangements in relation to the Facilities or as may be required to avoid broken funding costs, it being specified that in each case the relevant Borrower shall notify such Interest Period to the Agent.

## Financing clauses

### Cross default

#### 23.6 CROSS DEFAULT

- (a) Any Financial Indebtedness of any member of the Group is not paid when due nor within originally applicable grace period, provided that no Event of Default shall occur unless the aggregate amount of all unpaid Financial Indebtedness of the Group exceeds seven hundred fifty thousand Euros (€750,000) or its equivalent in another currency or currencies) unless, such non-payment is based on a good faith contestation and with appropriate means by the relevant member of the Group.
- (b) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under this paragraph (b) unless the aggregate amount of Financial Indebtedness falling within this paragraph is less than one million five hundred thousand Euros (€1,500,000) (or its equivalent in another currency or currencies), or if such event of default referred is contested in good faith and with appropriate means by the relevant Group member(s).
- (c) Any indebtedness or undertaking to pay of any member of the Group which does not constitute Financial Indebtedness is not paid when due nor within originally applicable grace period or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described) provided that no Event of Default will occur under this paragraph (1) if the aggregate amount of indebtedness or undertaking to pay falling within this paragraph is less than two million two hundred fifty thousand Euros (€2,250,000) (or its equivalent in another currency or currencies), or if such payment is being contested in good faith and with appropriate means.

## Various types of hedges

### Interest rate swap (example: fixed interest swap vs Euribor 3 months):

Definition: exchange of a stream of fixed interest payments against a stream of floating interest payments (denominated in a particular currency). The objective is to fix a charge of interests linked to a debt facility.

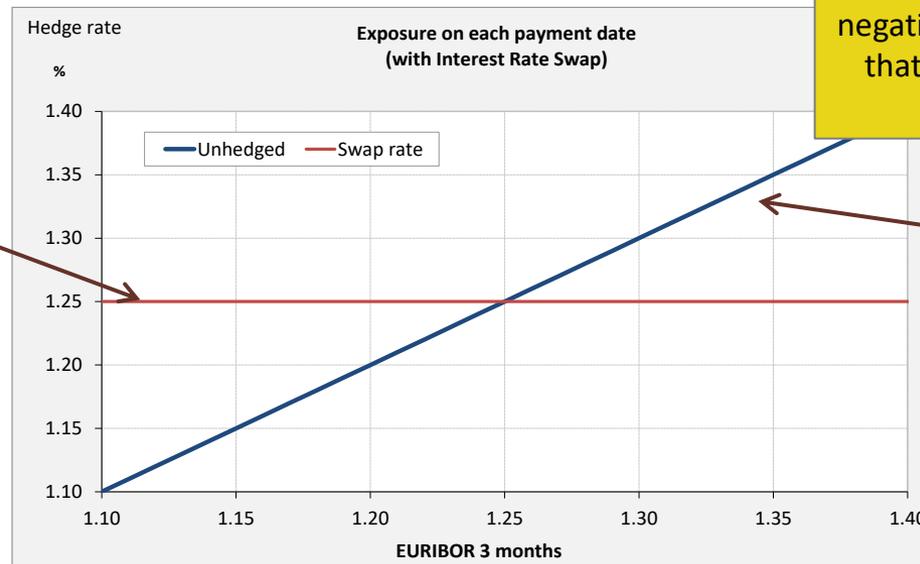
Advantages:

- No premium to pay at inception (the value of the swap is nil on the trade date)
- Simplicity to trade
- Financial charge is known in advance

**Swaps must be kept for the part of the exposure that cannot be reduced (risk of unlimited loss).**

Disadvantages:

- Cost of opportunity if the rates move in a favorable direction after inception of the hedge;
  - Potential unlimited loss (mark to market)
- Simple but risky product in case of unanticipated reduction of the underlying exposure (debt repayment for example) after inception of the hedge in case of negative mark to market valuation.



Product that does not guarantee a financing rate in a context of negative rates for financing facilities that include a floor on the index (Euribor or else).

Rate fixed by the swap

Floating rate of unhedged underlying

Illustrative graph:  
non-updated data

## Various types of hedges

**Interest rate Cap:** Hedge in which the buyer of the cap receives payments from the bank at the end of each period (fixing date) if the market rate (Euribor or Libor for instance) exceeds the exercise rate of the cap (i.e. strike).

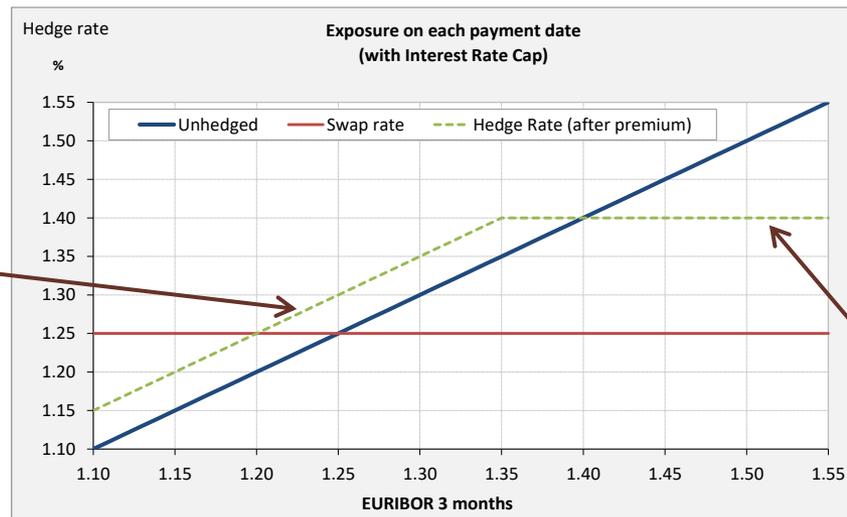
=> The “strike” is the protection rate of the cap.

### Advantages:

- Fully flexible to modify or cancel the hedge in case of modification of the exposure;
- Opportunity to benefit from favorable fluctuations of market rates;
- Risk of loss limited to the premium paid initially, in case of hedge modification before expiry

### Disadvantages:

- Premium to pay at inception. The premium can be paid upfront to the bank or spread over the life of the hedge if the bank authorized this credit. The premium is then called “running premium” or “running margin”.



The cap option captures favorable variations of the underlying

Maximum hedge rate provided by the cap (protection = strike)

Illustrative graph:  
non-updated data

## Various types of hedges

### Collars (combinations of options purchased and sold):

Simultaneous purchase of an interest rate cap and sale of an interest rate floor. The buyer's effective interest rate paid fluctuates between the two agreed exercise rates (strikes) of the options, depending on the underlying index. A collar profile is a mix of option profile and swap profile.

#### Advantages:

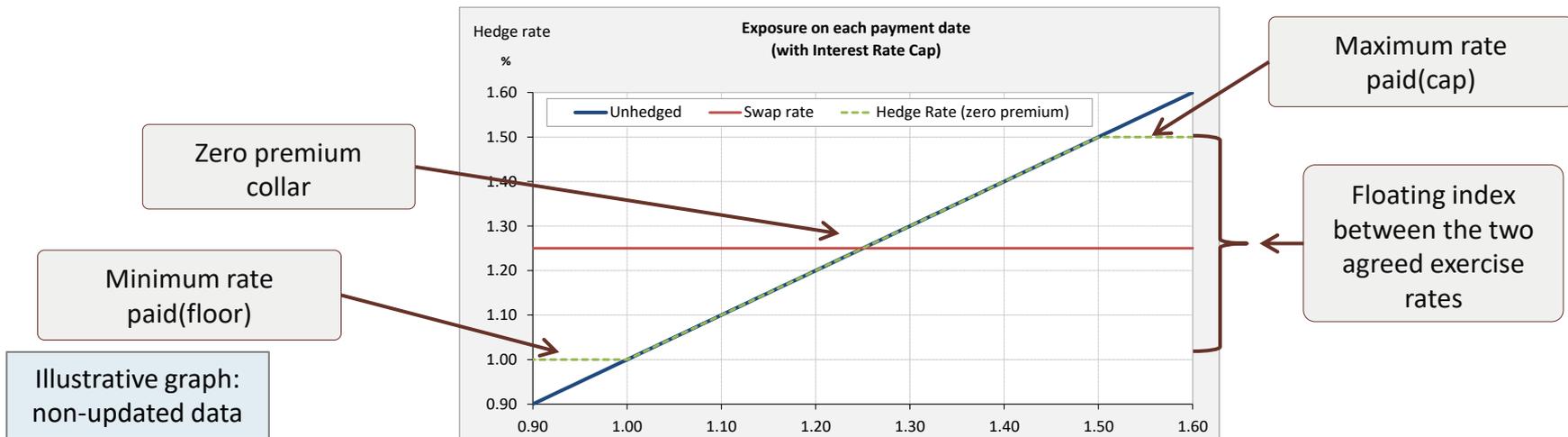
- Flexibility as long as the market rate fluctuates between the exercise rates (strikes)
- Protection if the market rate rises above the exercise rate (strike) at maturity of each period
- Opportunity to offset the cost of the cap with the option sold (floor)

#### Disadvantages:

- Cost of opportunity if the rates move in a favorable direction after inception of the hedge

**Collars must be kept for the part of the exposure that cannot be reduced.**

- Potential unlimited gain or loss (mark to market) in case of unanticipated reduction of the underlying exposure (debt repayment for example) after inception of the hedge or reduction/cancellation of the hedge.



Ineffective product in current market conditions (negative rates) because the floor is too close from the cap. And the cap is no more guaranteed if the financing contract is floored.

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