Hedging Interest Rate Risk
Final Report

21 June 2022

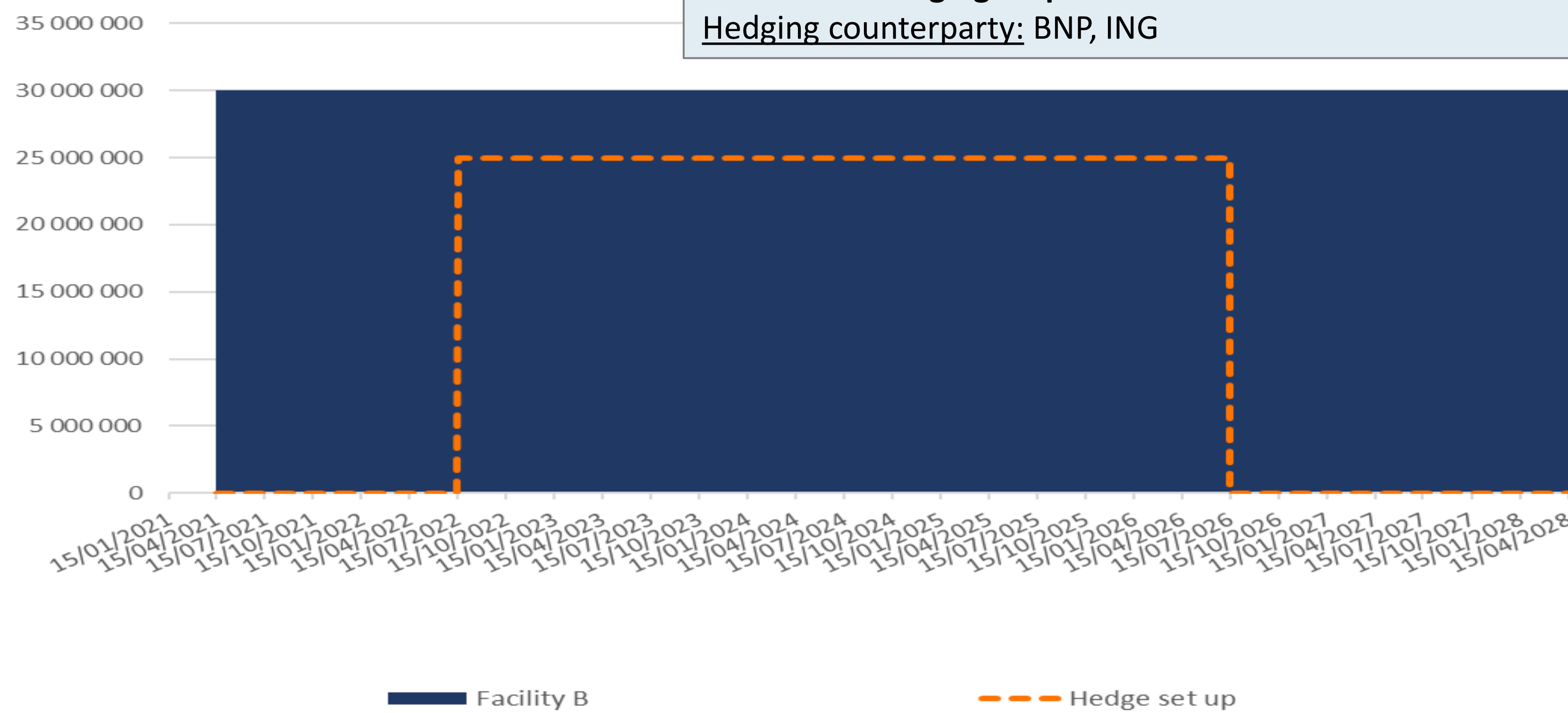
KERIUS Finance SAS
Conseiller en Investissements Financiers
Membre de l'ANACOFI CIF- Association agréée par l'AMF - ORIAS N° 13000716

Summary of hedging decisions

- New hedge set up on a 4-year horizon to mitigate the sensitivity of the group to interest rate variations, including the impact of negative rates with a cash flow hedge objective.
- A cap with a protection rate (strike) at 1,50% has been set up to limit the financing rate on the hedged part. This product takes into account the 0% floor on the debt.

Map after hedge inception

There is no Hedging Requirement in the contract.
Hedging counterparty: BNP, ING



Financing: (BlackRock, UK SAIF) Senior Facilities of **€32’500’000, drawn on 15/04/2021:**

- **Facility B: €30’000’000,** bullet amortization, maturing 15/04/2028, **floor 0%** on 3 months Euribor.
- **Revolving Facility: €2’500’000. Not included in the analysis**

- Hedges set up: Purchased Cap 1,5% for 4 years.
- Banking split : ING 100%

Details of hedges set up

Product	: **Cap**
Strike price	: 1,50%
Trade Date	: 20/06/2022
Start Date	: 15/07/2022
End date	: 15/07/2026
Index	: Euribor 3 Months
Base	: ACTUAL/360

ING hedging

Notional Principal: €25’000’000 amortization as set out in the table.

Upfront Premium of €1’066’206 to pay on 22/06/2022.

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Accounting deferral of the premium

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Fixing date	Start date	End date	Payment date	Notional Amount	Acounting deferral
13/07/2022	15/07/2022	17/10/2022	17/10/2022	25 000 000	68 599
13/10/2022	17/10/2022	16/01/2023	16/01/2023	25 000 000	66 410
12/01/2023	16/01/2023	17/04/2023	17/04/2023	25 000 000	66 410
13/04/2023	17/04/2023	17/07/2023	17/07/2023	25 000 000	66 410
13/07/2023	17/07/2023	16/10/2023	16/10/2023	25 000 000	66 410
12/10/2023	16/10/2023	15/01/2024	15/01/2024	25 000 000	66 410
11/01/2024	15/01/2024	15/04/2024	15/04/2024	25 000 000	66 410
11/04/2024	15/04/2024	15/07/2024	15/07/2024	25 000 000	66 410
11/07/2024	15/07/2024	15/10/2024	15/10/2024	25 000 000	67 140
11/10/2024	15/10/2024	15/01/2025	15/01/2025	25 000 000	67 140
13/01/2025	15/01/2025	15/04/2025	15/04/2025	25 000 000	65 680
11/04/2025	15/04/2025	15/07/2025	15/07/2025	25 000 000	66 410
11/07/2025	15/07/2025	15/10/2025	15/10/2025	25 000 000	67 140
13/10/2025	15/10/2025	15/01/2026	15/01/2026	25 000 000	67 140
13/01/2026	15/01/2026	15/04/2026	15/04/2026	25 000 000	65 680
13/04/2026	15/04/2026	15/07/2026	15/07/2026	25 000 000	66 410

Corresponding annualized premium	1,0509%

Total	1 066 206

Amortization table

FIXING DATE	START DATE	END DATE	PAYMENT DATE	Facility B		Hedge set up
				Amort.	CRD	
13/04/2021	15/04/2021	15/10/2021	15/10/2021	0	30 000 000	0
13/10/2021	15/10/2021	17/01/2022	17/01/2022	0	30 000 000	0
13/01/2022	17/01/2022	15/04/2022	15/04/2022	0	30 000 000	0
13/04/2022	15/04/2022	15/07/2022	15/07/2022	0	30 000 000	0
13/07/2022	15/07/2022	17/10/2022	17/10/2022	0	30 000 000	25 000 000
13/10/2022	17/10/2022	16/01/2023	16/01/2023	0	30 000 000	25 000 000
12/01/2023	16/01/2023	17/04/2023	17/04/2023	0	30 000 000	25 000 000
13/04/2023	17/04/2023	17/07/2023	17/07/2023	0	30 000 000	25 000 000
13/07/2023	17/07/2023	16/10/2023	16/10/2023	0	30 000 000	25 000 000
12/10/2023	16/10/2023	15/01/2024	15/01/2024	0	30 000 000	25 000 000
11/01/2024	15/01/2024	15/04/2024	15/04/2024	0	30 000 000	25 000 000
11/04/2024	15/04/2024	15/07/2024	15/07/2024	0	30 000 000	25 000 000
11/07/2024	15/07/2024	15/10/2024	15/10/2024	0	30 000 000	25 000 000
11/10/2024	15/10/2024	15/01/2025	15/01/2025	0	30 000 000	25 000 000
13/01/2025	15/01/2025	15/04/2025	15/04/2025	0	30 000 000	25 000 000
11/04/2025	15/04/2025	15/07/2025	15/07/2025	0	30 000 000	25 000 000
11/07/2025	15/07/2025	15/10/2025	15/10/2025	0	30 000 000	25 000 000
13/10/2025	15/10/2025	15/01/2026	15/01/2026	0	30 000 000	25 000 000
13/01/2026	15/01/2026	15/04/2026	15/04/2026	0	30 000 000	25 000 000
13/04/2026	15/04/2026	15/07/2026	15/07/2026	0	30 000 000	25 000 000
13/07/2026	15/07/2026	15/10/2026	15/10/2026	0	30 000 000	0
13/10/2026	15/10/2026	15/01/2027	15/01/2027	0	30 000 000	0
13/01/2027	15/01/2027	15/04/2027	15/04/2027	0	30 000 000	0
13/04/2027	15/04/2027	15/07/2027	15/07/2027	0	30 000 000	0
13/07/2027	15/07/2027	15/10/2027	15/10/2027	0	30 000 000	0
13/10/2027	15/10/2027	17/01/2028	17/01/2028	0	30 000 000	0
13/01/2028	17/01/2028	15/04/2028	15/04/2028	0	30 000 000	0
13/04/2028	15/04/2028	15/07/2028	15/07/2028	30 000 000	0	0

Broken period

ROI analysis

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	10 146

	ING
Total savings	**75 982**
Market price without bank margin	990 000
Price with standard bank margin *	1 142 188
Standard bank margin (15 basis points) *	152 188
Final price	1 066 206
Final margin	76 206

* The standard margin taken by banks in this context is 15 to 20 basis points over the fixed rate or running premium compared to the rate / price without margin used above. A margin of 15 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

- Market Data : Historic and projected Euribor
- Financing terms
- Recall : impact of negative rates on swaps
- Recall : Profiles at maturity of different types of hedge

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Market data

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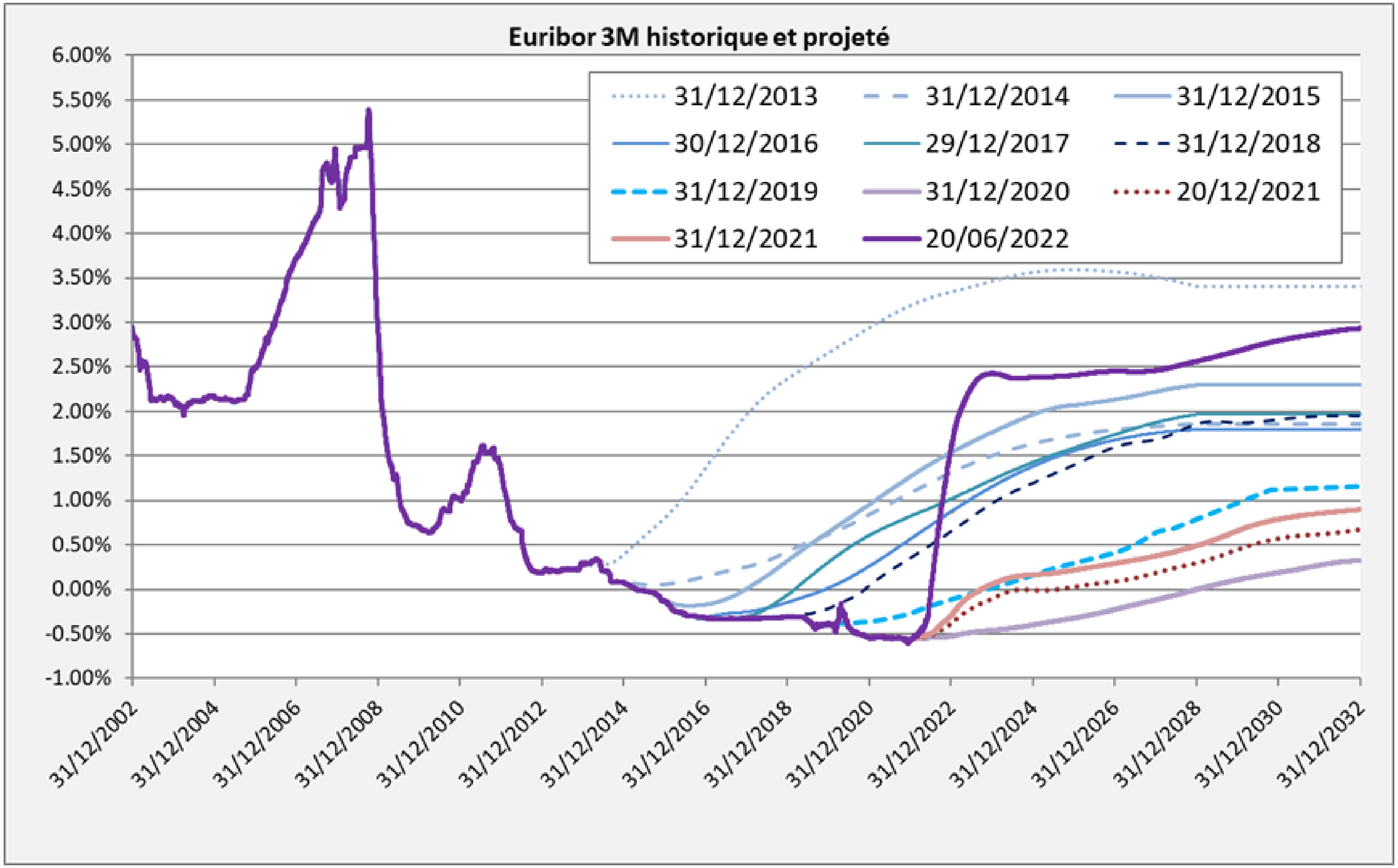
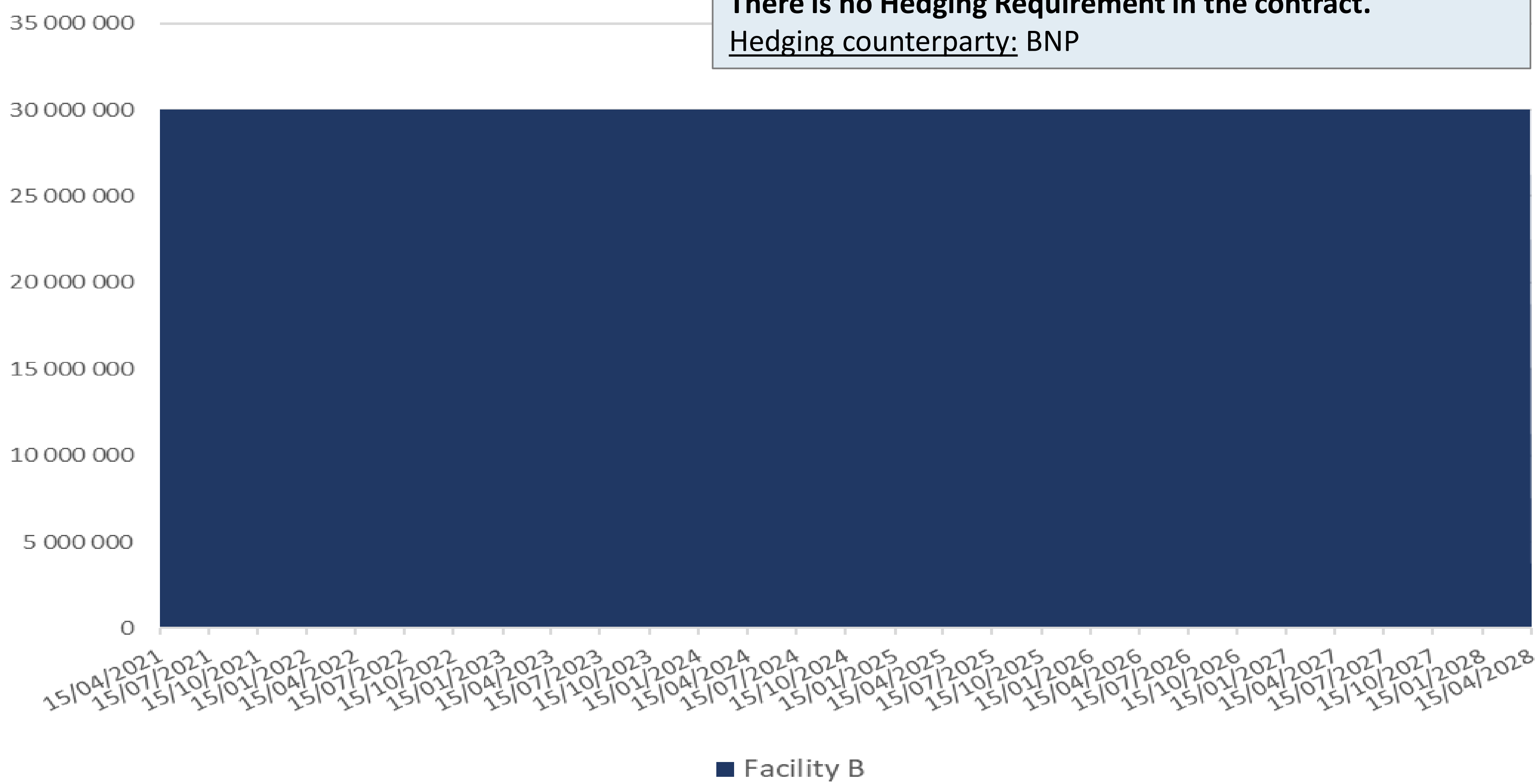


Debt & Hedging Requirement Map



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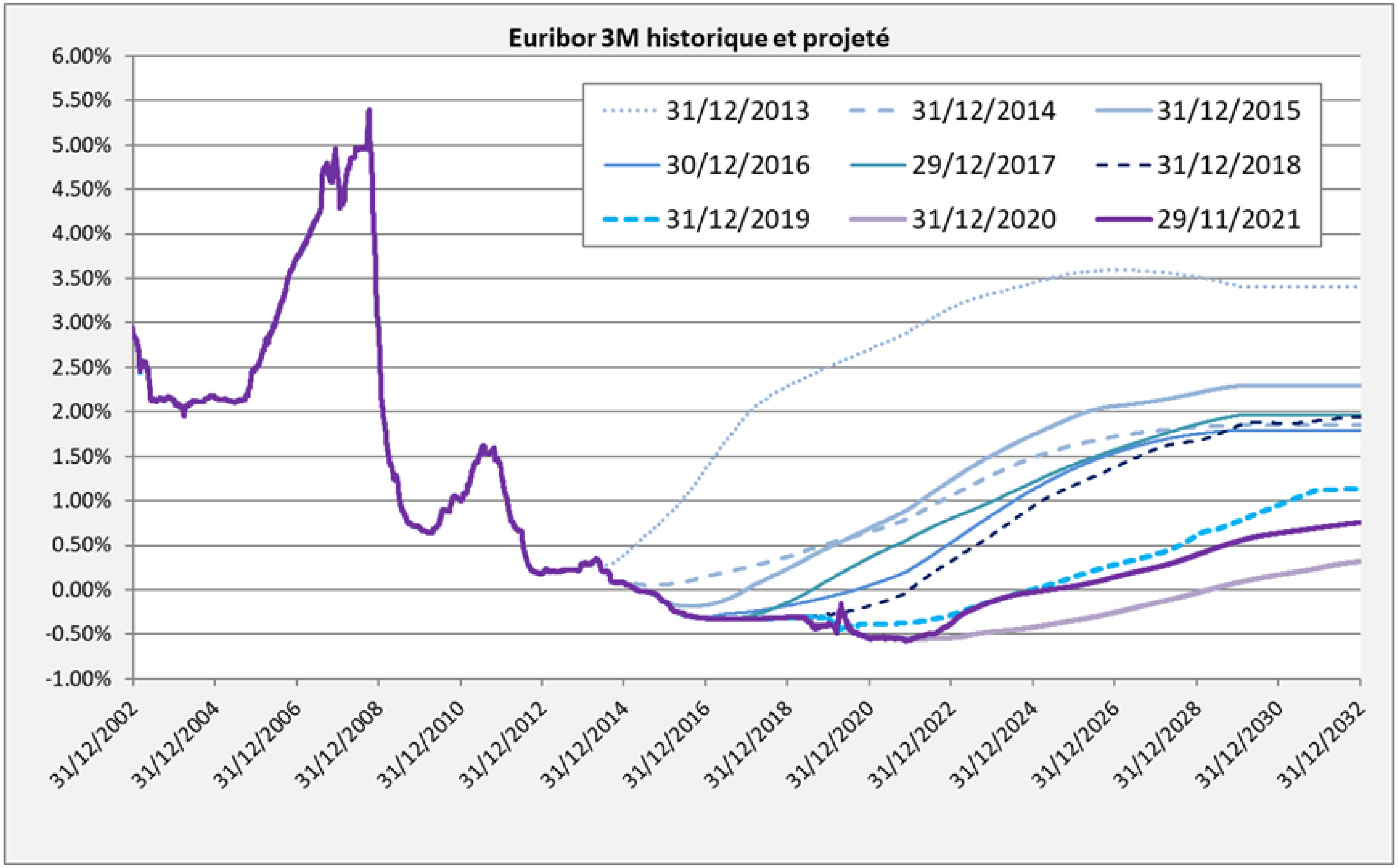
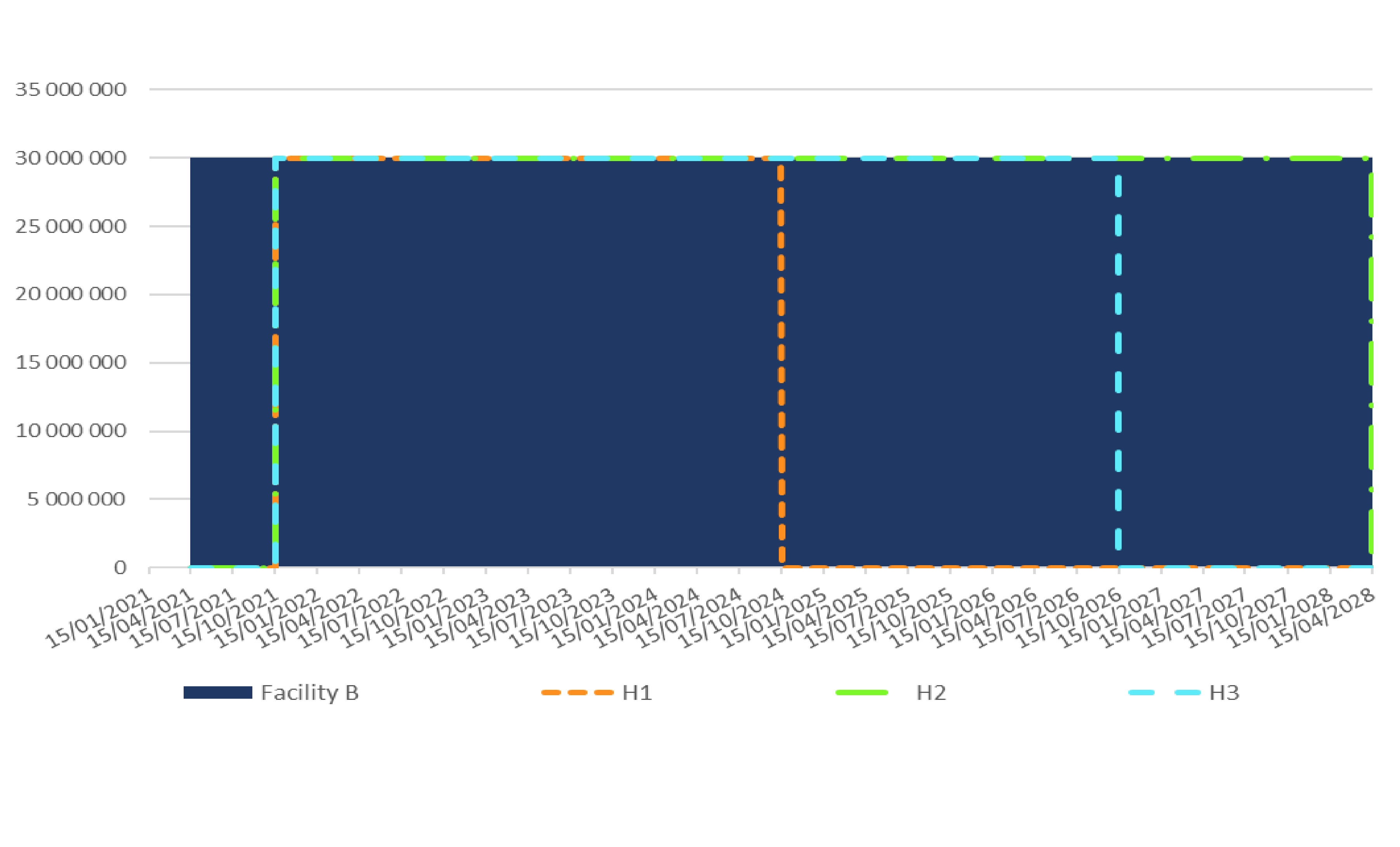
Market data



The markets are currently highly volatile, and it can significantly influence the price of the hedging
- Hedging prices fluctuate daily by +/- 5 basic points
- The delay to set up a hedging has been significantly extended due to the current situation

Different types of strategy
And possible level of hedging



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Different types of strategy
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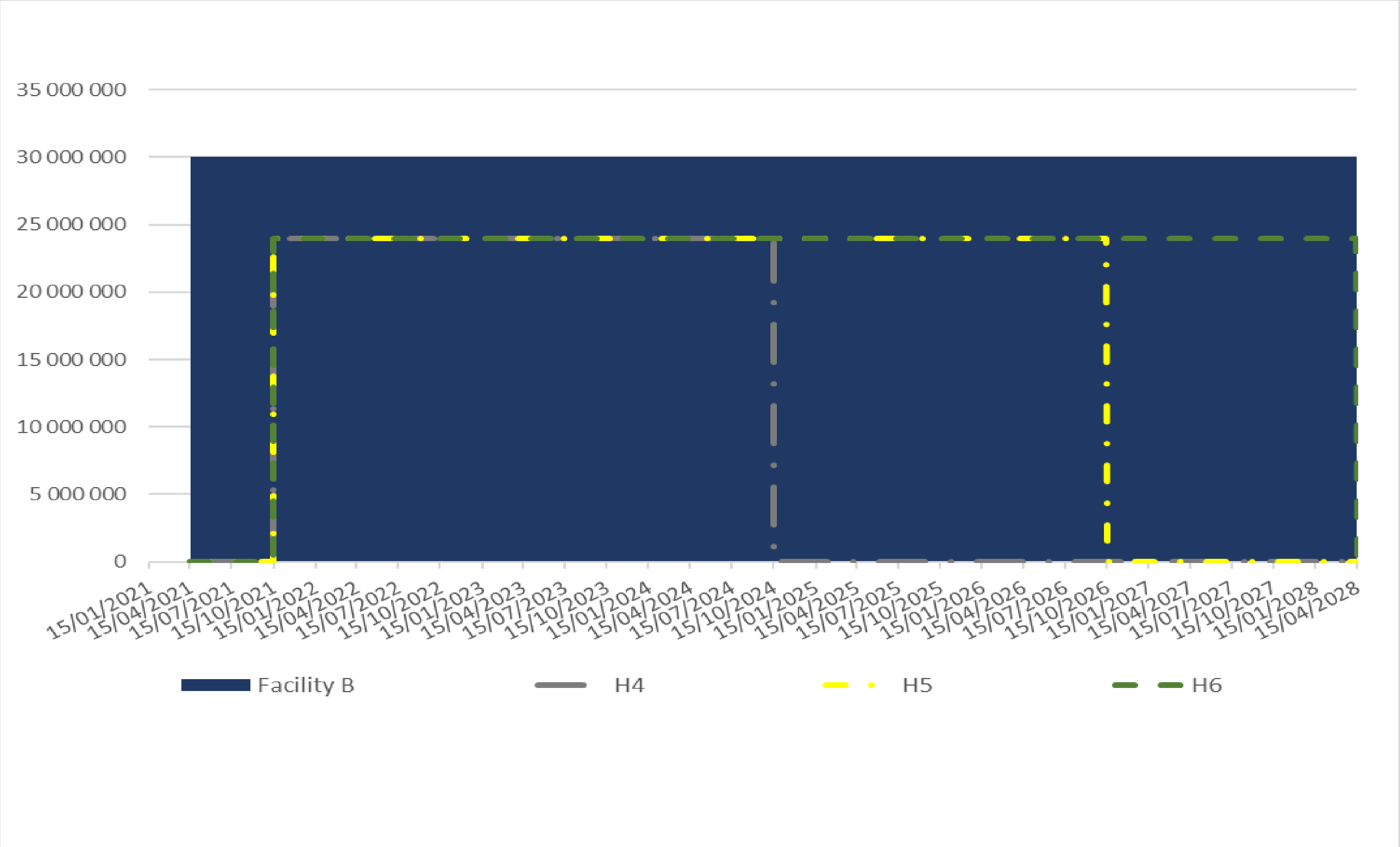
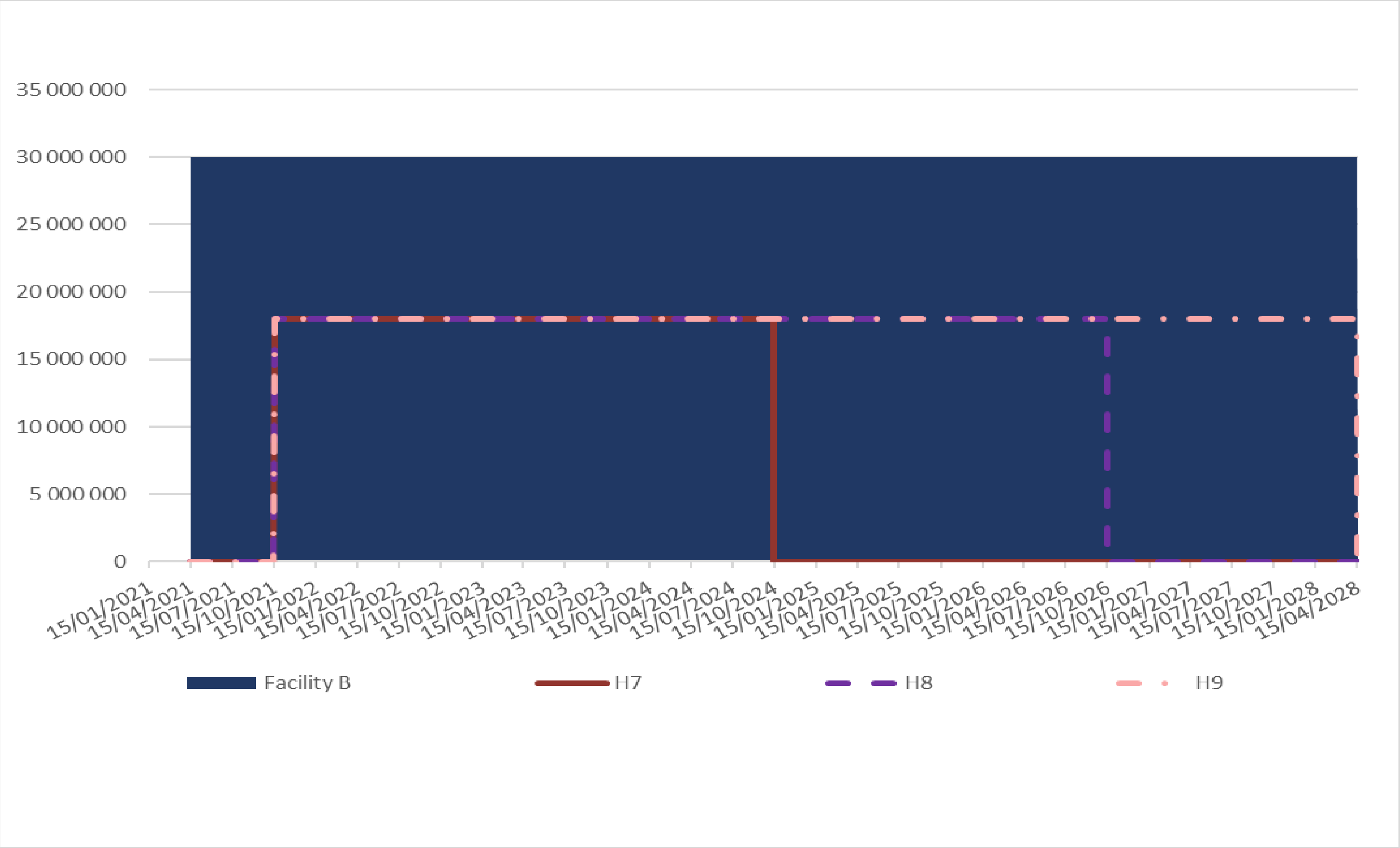


Different types of strategy
And possible level of hedging



Indicative quotations

Hedging	H1	H2	H3	H4	H5	H6	H7	H8	H9
Maturity	**3 years**	**6.5 years**	**5 years**	**3 years**	**5 years**	**6,5 years**	**3 years**	**5 years**	**6,5 years**
Index	Euribor 3M	Euribor 3M	Euribor 3M	Euribor 3M	Euribor 3M	Euribor 3M	Euribor 3M	Euribor 3M	Euribor 3M
Notionnal	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
Start date	15.10.2021	15.10.2021	15.10.2021	15.10.2021	15.10.2021	15.10.2021	15.10.2021	15.10.2021	15.10.2021
End date	15.10.2024	15.04.2028	15.10.2026	15.10.2024	15.10.2026	15.04.2028	15.10.2024	15.10.2026	15.04.2028
Value of 1 bp in EUR	9 133	19 783	15 217	7 307	12 173	15 827	5 480	9 130	11 870

Swap rate (see appendix on problems linked to negative rates)

Swap without Floor	-0,27%	-0,05%	-0,14%	-0,27%	-0,14%	-0,05%	-0,27%	-0,14%	-0,06%
Floor 0%	0,49%	0,53%	0,52%	0,49%	0,52%	0,53%	0,49%	0,52%	0,53%
Swap with Floor	**0,22%**	**0,48%**	**0,38%**	**0,22%**	**0,38%**	**0,48%**	**0,22%**	**0,38%**	**0,48%**

Annualized option premium

Cap 0% annualized	**0,22%**	**0,48%**	**0,38%**	**0,22%**	**0,38%**	**0,48%**	**0,22%**	**0,38%**	**0,48%**
Max Financing Rate	0,22%	0,48%	0,38%	0,22%	0,38%	0,48%	0,22%	0,38%	0,48%
Cap 0,5% annualized	**0,17%**	**0,36%**	**0,29%**	**0,17%**	**0,29%**	**0,36%**	**0,17%**	**0,29%**	**0,36%**
Max Financing Rate	0,67%	0,86%	0,79%	0,67%	0,79%	0,86%	0,67%	0,79%	0,86%
Cap 1% annualized	**0,14%**	**0,29%**	**0,24%**	**0,14%**	**0,24%**	**0,29%**	**0,14%**	**0,24%**	**0,29%**
Max Financing Rate	1,14%	1,29%	1,24%	1,14%	1,24%	1,29%	1,14%	1,24%	1,29%

Upfront option premium in EUR

Cap 0%	204 200	944 200	580 600	163 400	465 400	754 400	122 600	348 300	564 400
Cap 0.5%	155 000	720 600	445 600	124 000	357 200	575 700	93 000	267 400	430 800
Cap 1%	128 000	578 400	363 300	102 500	291 100	462 200	76 900	218 000	346 000
Floor 0% of the financing	455 300	1 050 100	791 900	364 200	632 100	840 800	273 000	475 400	632 100

Estimated bank margin in basis point (BP)	**5**

Indicative quotations

See profiles at expiry in appendix

Quotation without bank margin. Final price could be higher by 0,10% to 0,20% according to banks credit margins.

Markets are currently very volatile, and these prices can strongly fluctuate.

Indications for comparing the quotations:

- The swap rate represents the financing rate of the hedged portion of the debt (excluding the specific floor problem in the event of negative rates).
- The annualized premium for the cap represents the cost to be paid over the duration to benefit from the protection. The overall funding rate is then capped at strike + annualized premium. The cap enables to benefit from Euribor rates lower than the strike, provided that the strike is greater than the floor included in the hedged financing.
- In the event of a resale of the cap before maturity, the unpaid premium remain due; but from this amount will be deducted the residual value (mark to market / fair value) of the cap, which may exceed the amount of the premium remaining due if rates have risen.

Example of annualized premium payments: H2 Cap 0%

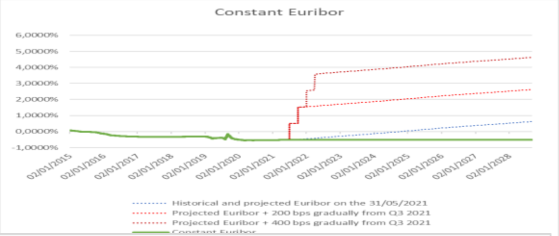
Fixing date	Start date	End date	Payment date	H2 - Notional	H2 - Premium to pay	H2 - Remaining to be paid in case of settlement
13/10/2021	15/10/2021	17/01/2022	17/01/2022	30 000 000	37 355	-906 845
13/01/2022	17/01/2022	15/04/2022	15/04/2022	30 000 000	34 970	-871 875
13/04/2022	15/04/2022	15/07/2022	15/07/2022	30 000 000	36 163	-835 712
13/07/2022	15/07/2022	17/10/2022	17/10/2022	30 000 000	37 355	-798 358
13/10/2022	17/10/2022	16/01/2023	16/01/2023	30 000 000	36 163	-762 195
12/01/2023	16/01/2023	17/04/2023	17/04/2023	30 000 000	36 163	-726 033
13/04/2023	17/04/2023	17/07/2023	17/07/2023	30 000 000	36 163	-689 870
13/07/2023	17/07/2023	16/10/2023	16/10/2023	30 000 000	36 163	-653 707
12/10/2023	16/10/2023	15/01/2024	15/01/2024	30 000 000	36 163	-617 545
11/01/2024	15/01/2024	15/04/2024	15/04/2024	30 000 000	36 163	-581 382
11/04/2024	15/04/2024	15/07/2024	15/07/2024	30 000 000	36 163	-545 220
11/07/2024	15/07/2024	15/10/2024	15/10/2024	30 000 000	36 560	-508 660
11/10/2024	15/10/2024	15/01/2025	15/01/2025	30 000 000	36 560	-472 100
13/01/2025	15/01/2025	15/04/2025	15/04/2025	30 000 000	35 765	-436 335
11/04/2025	15/04/2025	15/07/2025	15/07/2025	30 000 000	36 163	-400 172
11/07/2025	15/07/2025	15/10/2025	15/10/2025	30 000 000	36 560	-363 612
13/10/2025	15/10/2025	15/01/2026	15/01/2026	30 000 000	36 560	-327 052
13/01/2026	15/01/2026	15/04/2026	15/04/2026	30 000 000	35 765	-291 287
13/04/2026	15/04/2026	15/07/2026	15/07/2026	30 000 000	36 163	-255 125
13/07/2026	15/07/2026	15/10/2026	15/10/2026	30 000 000	36 560	-218 565
13/10/2026	15/10/2026	15/01/2027	15/01/2027	30 000 000	36 560	-182 005
13/01/2027	15/01/2027	15/04/2027	15/04/2027	30 000 000	35 765	-146 240
13/04/2027	15/04/2027	15/07/2027	15/07/2027	30 000 000	36 163	-110 077
13/07/2027	15/07/2027	15/10/2027	15/10/2027	30 000 000	36 560	-73 517
13/10/2027	15/10/2027	17/01/2028	17/01/2028	30 000 000	37 355	-36 163
13/01/2028	17/01/2028	17/04/2028	17/04/2028	30 000 000	36 163	0

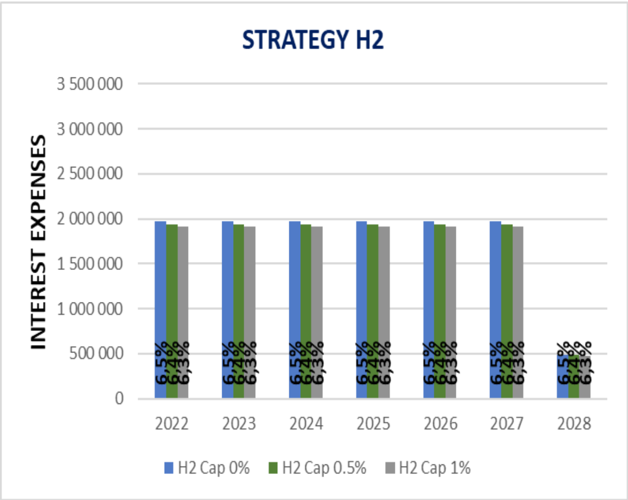
H2 - Annualized premium	0,48%

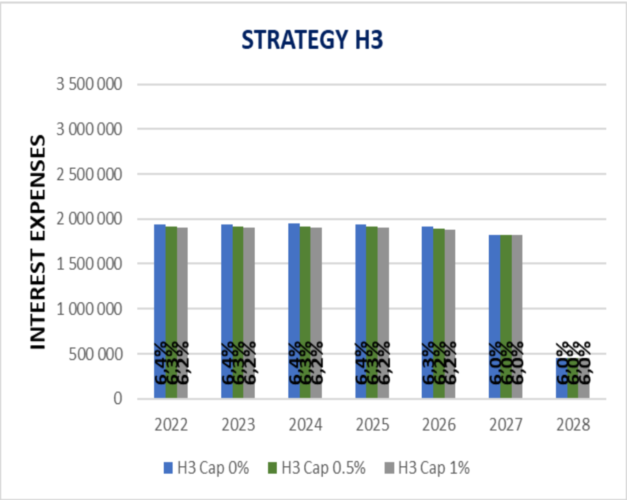
Total payments	944 200

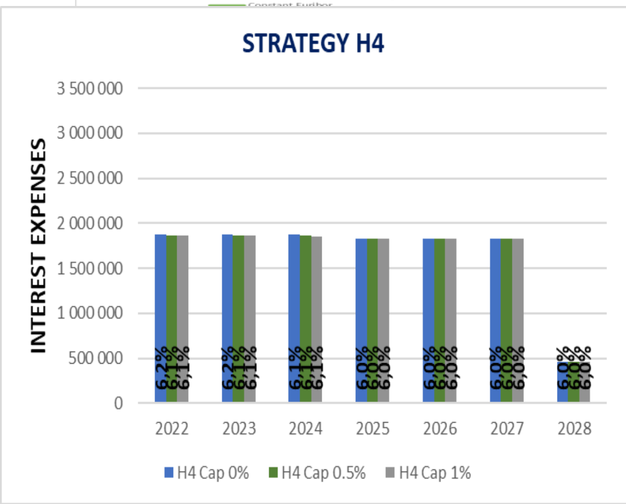
Financial expenses simulation with constant Euribor Scenario

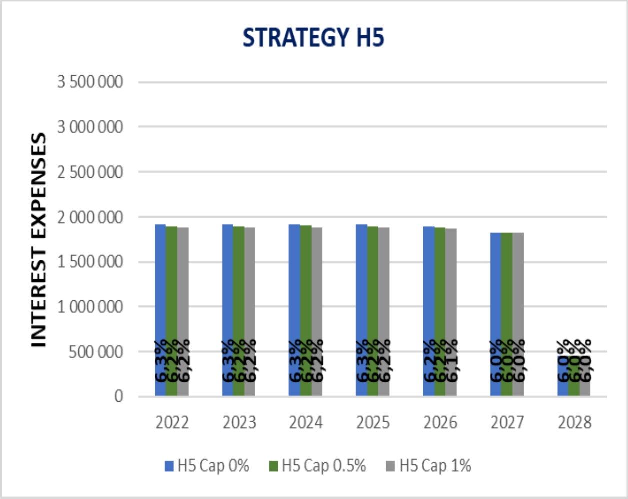
All financial expenses simulations include the credit margin at **6%** (Facility B), the Euribor3m variations' impact and the cost of setting up the new hedge

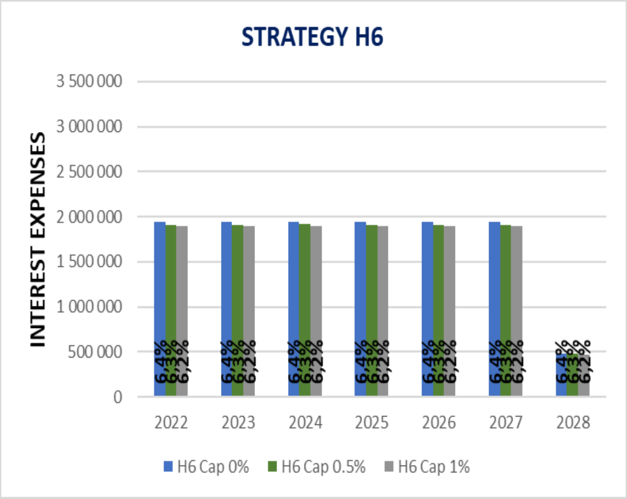


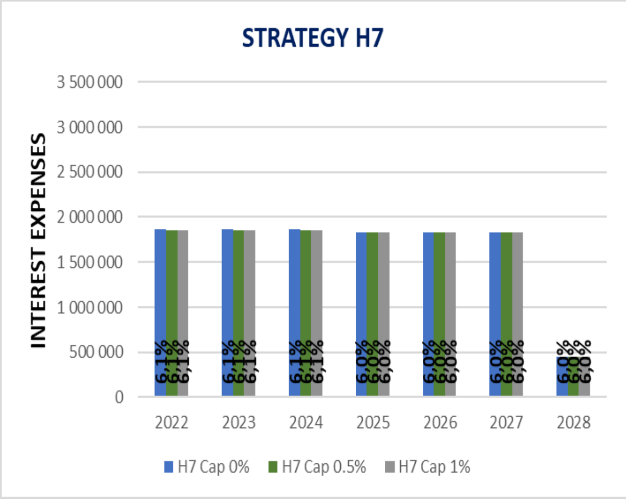




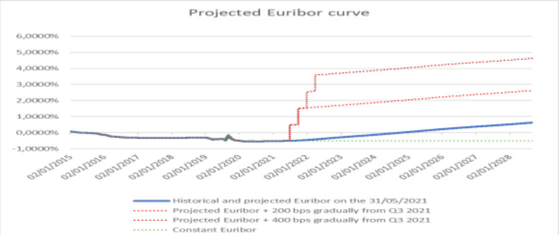


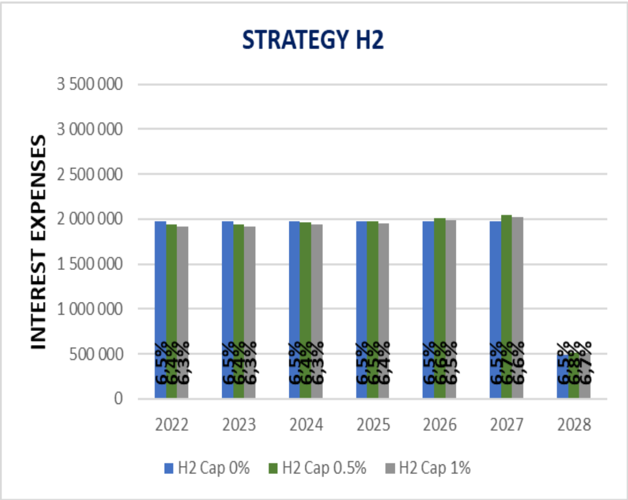


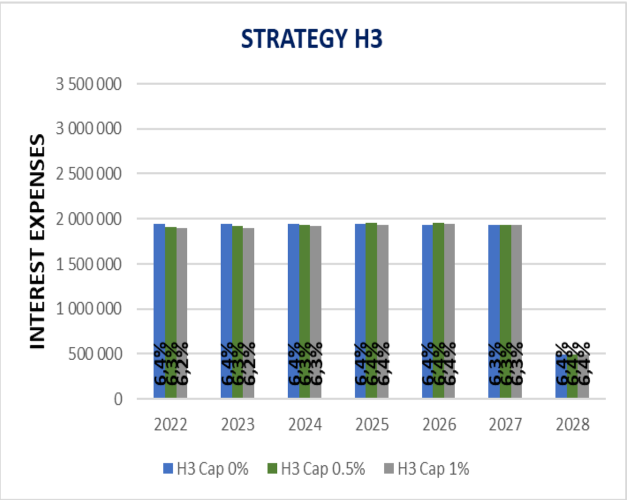


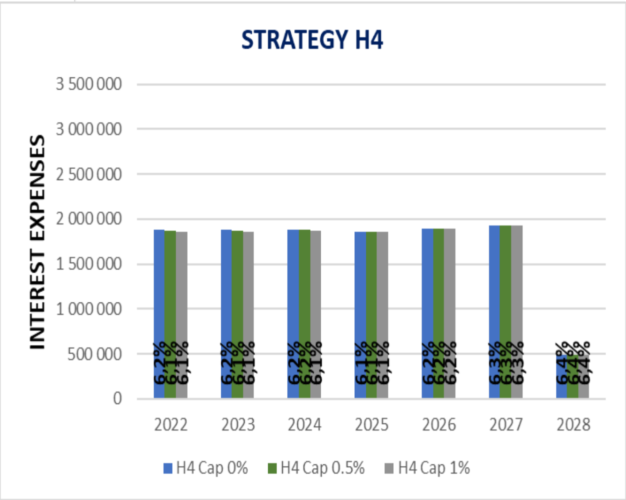


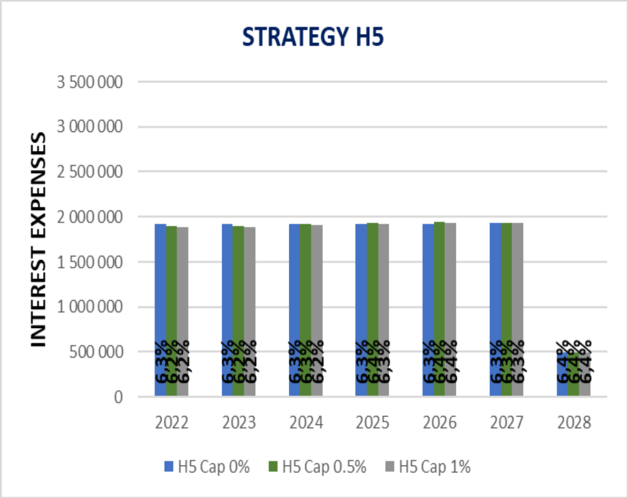
Financial expenses simulation with projected Euribor Scenario

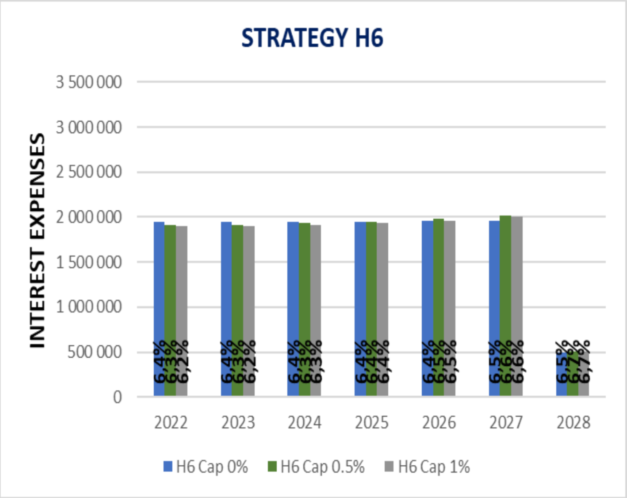


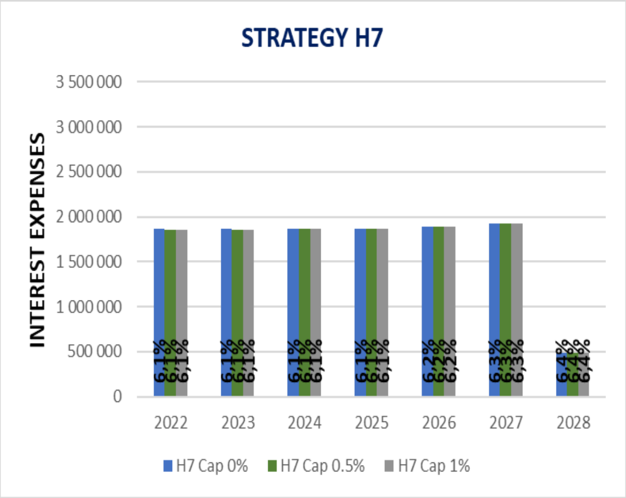




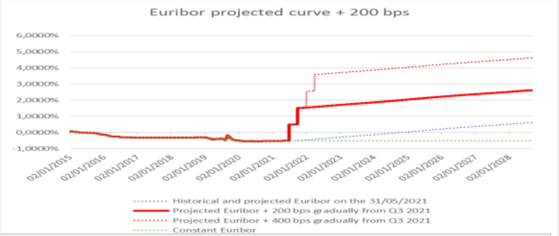


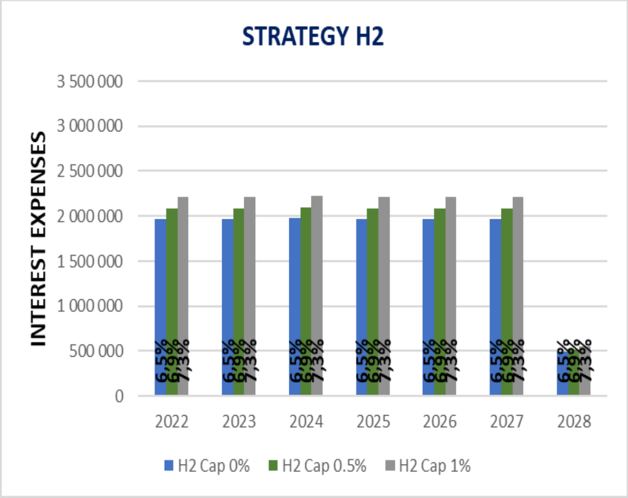


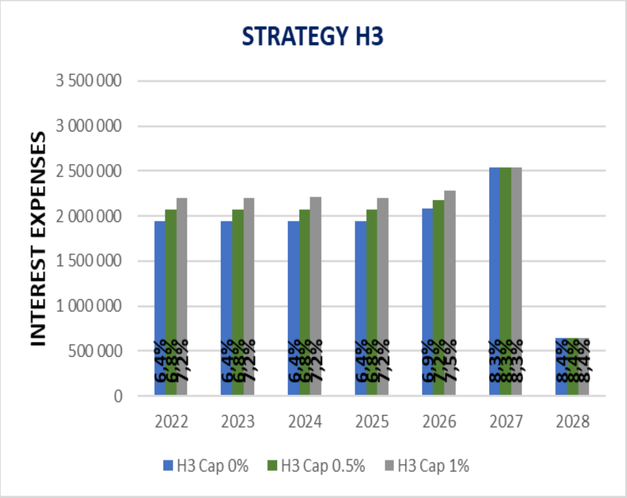


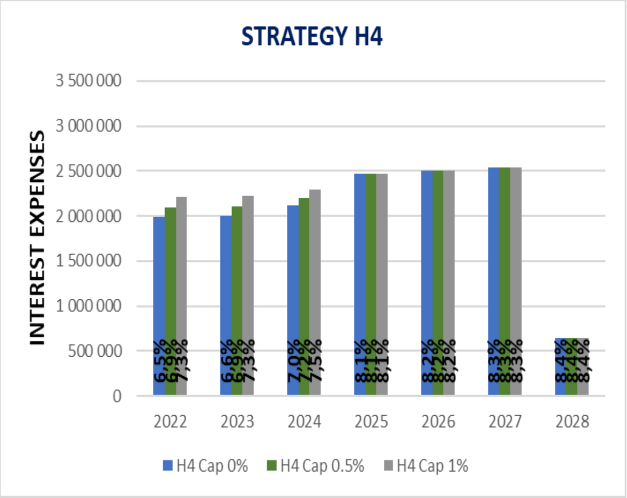


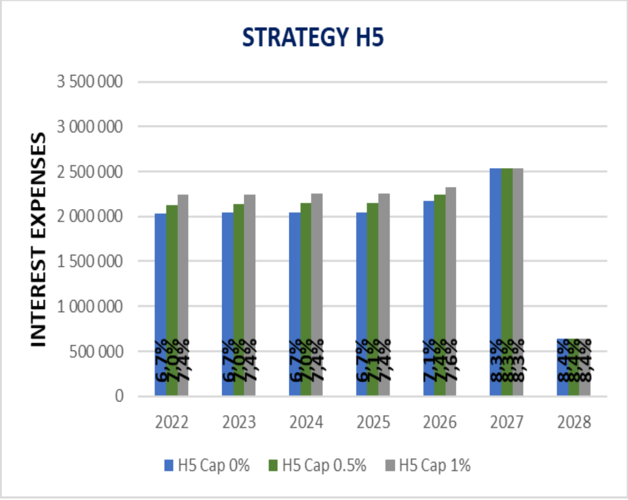
Financial expenses simulation with projected Euribor + 2% Scenario

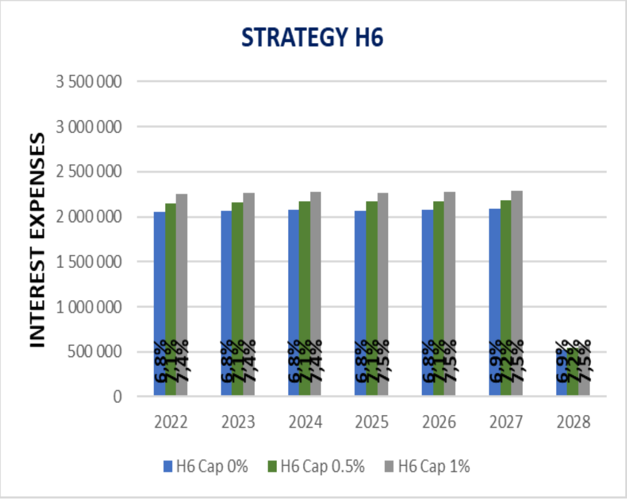


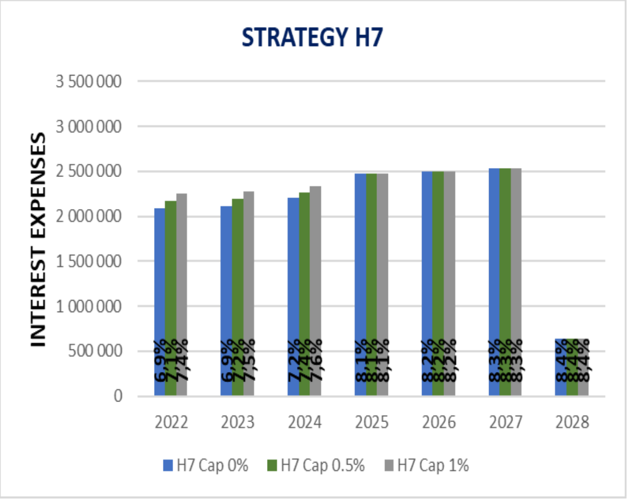




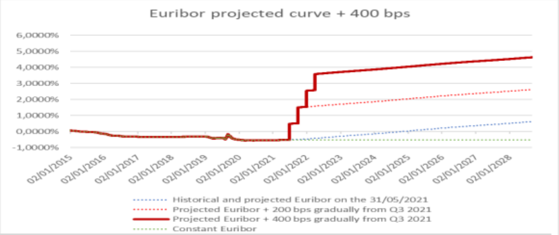


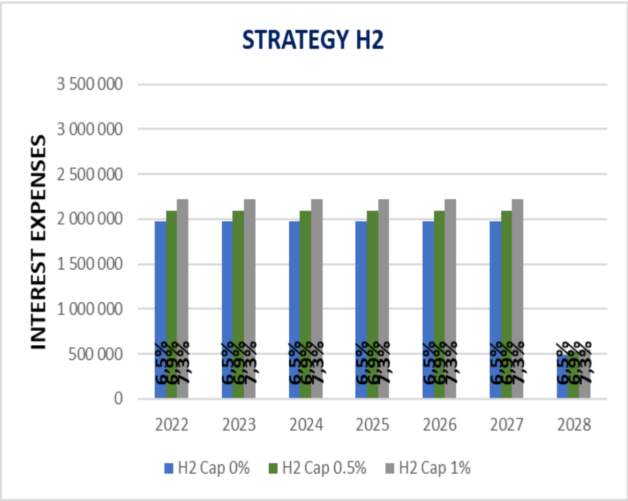


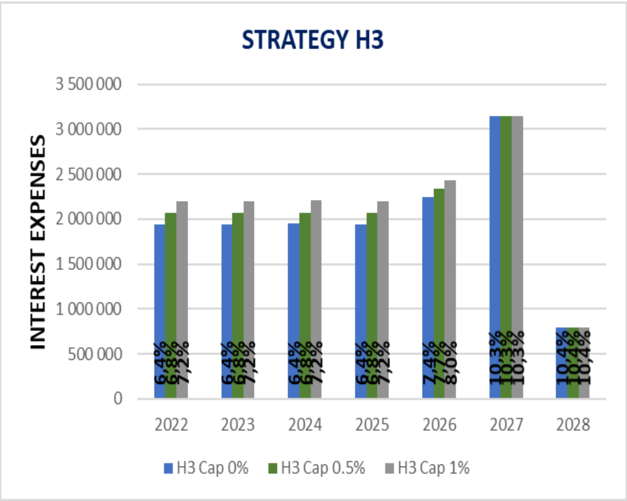


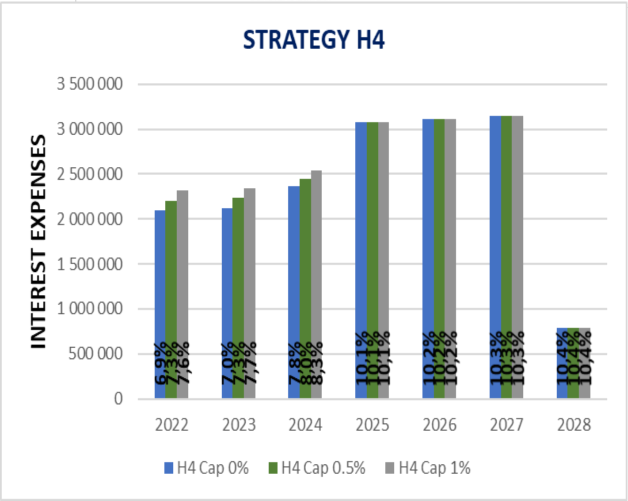


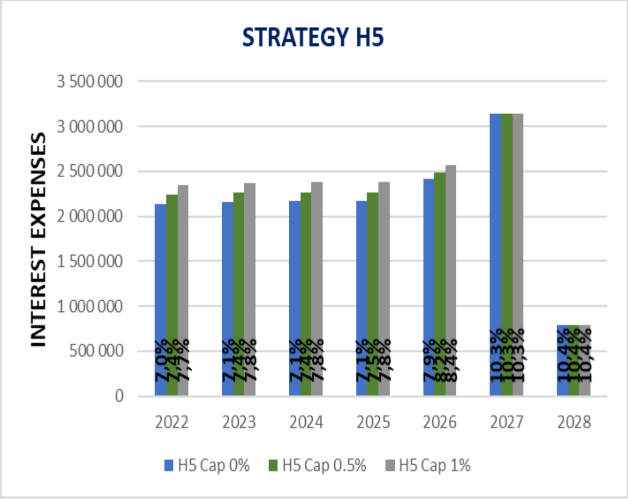
Financial expenses simulation with projected Euribor + 4% Scenario

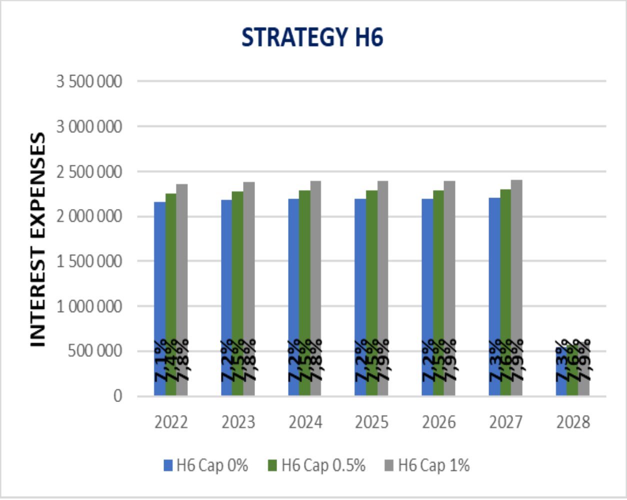


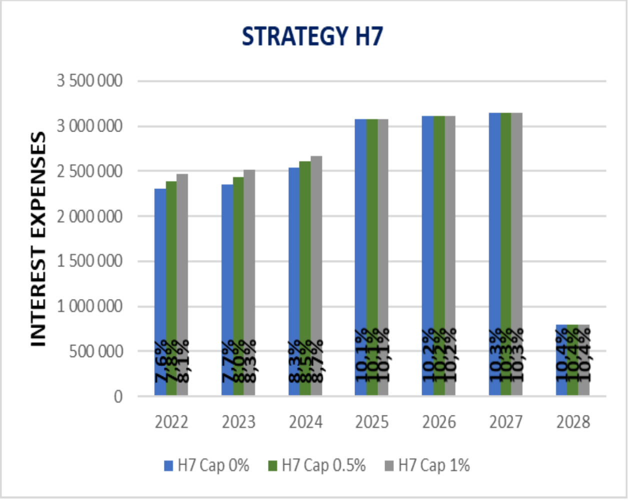




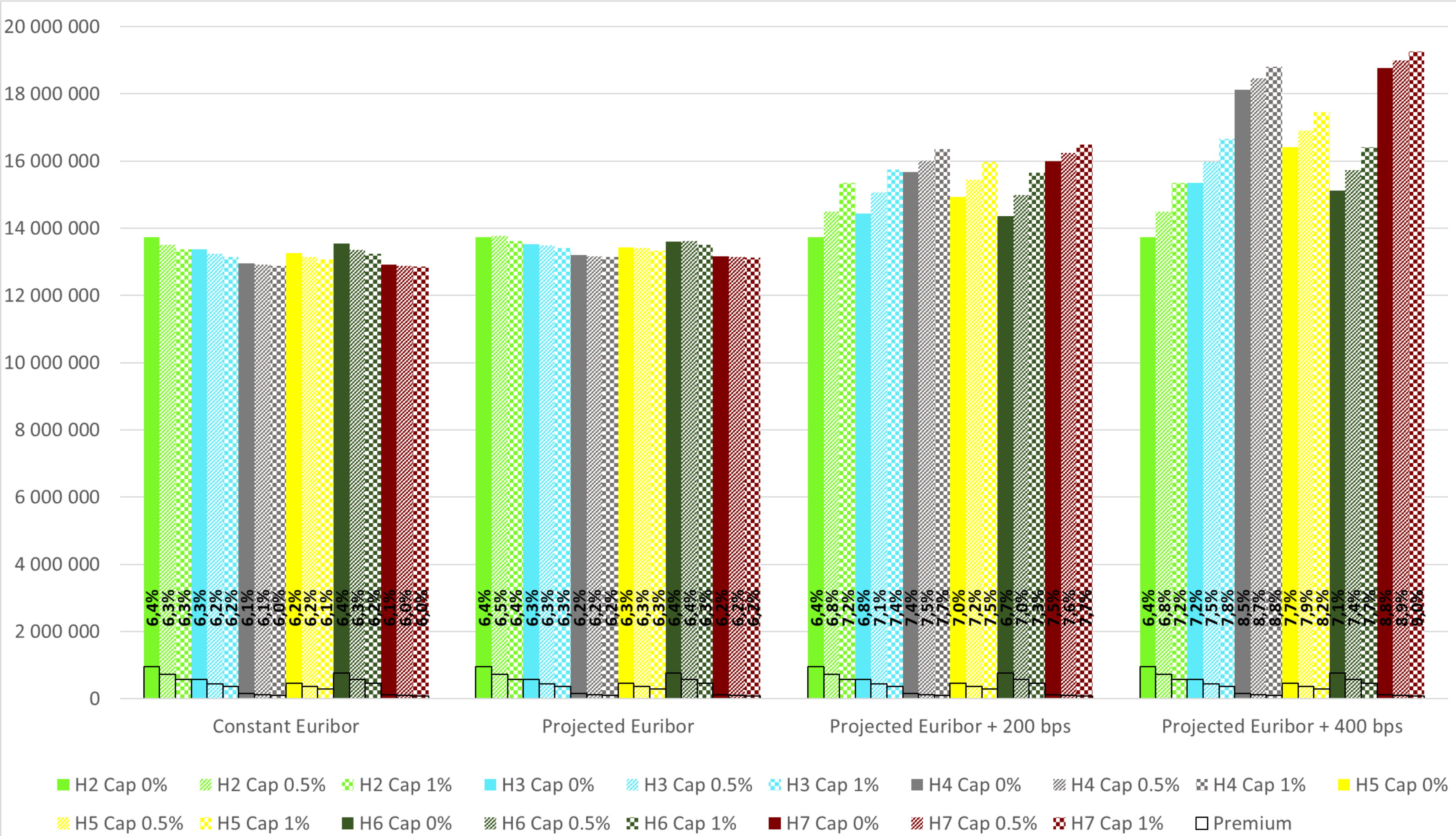








Synthesis of financial costs simulations (over the total duration of the financing, hedging cost included – APR approach)



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

	STRATEGY H2			STRATEGY H3			STRATEGY H4		
	H2 Cap 0%	H2 Cap 0.5%	H2 Cap 1%	H3 Cap 0%	H3 Cap 0.5%	H3 Cap 1%	H4 Cap 0%	H4 Cap 0.5%	H4 Cap 1%
Constant Euribor	**13 729 200**	**13 505 600**	**13 363 400**	**13 365 600**	**13 230 600**	**13 148 300**	**12 948 400**	**12 909 000**	**12 887 500**
Projected Euribor	**13 729 200**	**13 765 189**	**13 622 989**	**13 523 738**	**13 490 189**	**13 407 889**	**13 198 600**	**13 168 589**	**13 147 089**
Projected Euribor + 200 bps	**13 729 200**	**14 494 767**	**15 341 733**	**14 437 071**	**15 062 904**	**15 741 438**	**15 677 889**	**16 003 823**	**16 347 656**
Projected Euribor + 400 bps	**13 729 200**	**14 494 767**	**15 341 733**	**15 350 404**	**15 976 238**	**16 654 771**	**18 127 556**	**18 453 489**	**18 797 323**

	STRATEGY H5			STRATEGY H6			STRATEGY H7		
	H5 Cap 0%	H5 Cap 0.5%	H5 Cap 1%	H6 Cap 0%	H6 Cap 0.5%	H6 Cap 1%	H7 Cap 0%	H7 Cap 0.5%	H7 Cap 1%
Constant Euribor	**13 250 400**	**13 142 200**	**13 076 100**	**13 539 400**	**13 360 700**	**13 247 200**	**12 907 600**	**12 878 000**	**12 861 900**
Projected Euribor	**13 428 828**	**13 401 789**	**13 335 689**	**13 591 318**	**13 620 289**	**13 506 789**	**13 160 148**	**13 137 589**	**13 121 489**
Projected Euribor + 200 bps	**14 934 784**	**15 435 251**	**15 977 817**	**14 366 607**	**14 979 240**	**15 657 074**	**15 988 726**	**16 233 126**	**16 491 026**
Projected Euribor + 400 bps	**16 411 117**	**16 911 584**	**17 454 151**	**15 112 274**	**15 724 907**	**16 402 740**	**18 758 059**	**19 002 459**	**19 260 359**

Amortization table

FIXING DATE	START DATE	END DATE	PAYMENT DATE	Facility B Amort.	Facility B CRD	H1	H2	H3	H4	H5	H6	H7	H8	H9
13/04/2021	15/04/2021	15/10/2021	15/10/2021	0	30 000 000	0	0	0	0	0	0	0	0	0
13/10/2021	15/10/2021	17/01/2022	17/01/2022	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
13/01/2022	17/01/2022	15/04/2022	15/04/2022	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
13/04/2022	15/04/2022	15/07/2022	15/07/2022	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
13/07/2022	15/07/2022	17/10/2022	17/10/2022	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
13/10/2022	17/10/2022	16/01/2023	16/01/2023	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
12/01/2023	16/01/2023	17/04/2023	17/04/2023	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
13/04/2023	17/04/2023	17/07/2023	17/07/2023	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
13/07/2023	17/07/2023	16/10/2023	16/10/2023	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
12/10/2023	16/10/2023	15/01/2024	15/01/2024	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
11/01/2024	15/01/2024	15/04/2024	15/04/2024	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
11/04/2024	15/04/2024	15/07/2024	15/07/2024	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
11/07/2024	15/07/2024	15/10/2024	15/10/2024	0	30 000 000	30 000 000	30 000 000	30 000 000	24 000 000	24 000 000	24 000 000	18 000 000	18 000 000	18 000 000
11/10/2024	15/10/2024	15/01/2025	15/01/2025	0	30 000 000	0	30 000 000	30 000 000	0	24 000 000	24 000 000	0	18 000 000	18 000 000
13/01/2025	15/01/2025	15/04/2025	15/04/2025	0	30 000 000	0	30 000 000	30 000 000	0	24 000 000	24 000 000	0	18 000 000	18 000 000
11/04/2025	15/04/2025	15/07/2025	15/07/2025	0	30 000 000	0	30 000 000	30 000 000	0	24 000 000	24 000 000	0	18 000 000	18 000 000
11/07/2025	15/07/2025	15/10/2025	15/10/2025	0	30 000 000	0	30 000 000	30 000 000	0	24 000 000	24 000 000	0	18 000 000	18 000 000
13/10/2025	15/10/2025	15/01/2026	15/01/2026	0	30 000 000	0	30 000 000	30 000 000	0	24 000 000	24 000 000	0	18 000 000	18 000 000
13/01/2026	15/01/2026	15/04/2026	15/04/2026	0	30 000 000	0	30 000 000	30 000 000	0	24 000 000	24 000 000	0	18 000 000	18 000 000
13/04/2026	15/04/2026	15/07/2026	15/07/2026	0	30 000 000	0	30 000 000	30 000 000	0	24 000 000	24 000 000	0	18 000 000	18 000 000
13/07/2026	15/07/2026	15/10/2026	15/10/2026	0	30 000 000	0	30 000 000	30 000 000	0	24 000 000	24 000 000	0	18 000 000	18 000 000
13/10/2026	15/10/2026	15/01/2027	15/01/2027	0	30 000 000	0	30 000 000	0	0	0	24 000 000	0	0	18 000 000
13/01/2027	15/01/2027	15/04/2027	15/04/2027	0	30 000 000	0	30 000 000	0	0	0	24 000 000	0	0	18 000 000
13/04/2027	15/04/2027	15/07/2027	15/07/2027	0	30 000 000	0	30 000 000	0	0	0	24 000 000	0	0	18 000 000
13/07/2027	15/07/2027	15/10/2027	15/10/2027	0	30 000 000	0	30 000 000	0	0	0	24 000 000	0	0	18 000 000
13/10/2027	15/10/2027	17/01/2028	17/01/2028	0	30 000 000	0	30 000 000	0	0	0	24 000 000	0	0	18 000 000
13/01/2028	17/01/2028	15/04/2028	15/04/2028	0	30 000 000	0	30 000 000	0	0	0	24 000 000	0	0	18 000 000
13/04/2028	15/04/2028	15/07/2028	15/07/2028	30 000 000	0	0	0	0	0	0	0	0	0	0

Broken period

Comparative analysis: Instruments

Cap 0%

- *The premium of an option can be paid in full at the option's inception or smoothed over time by expressing it as a percentage of the financing, as for the rate of a swap. This second solution makes it possible to spread the payment of the premium over time.*

Advantages of the proposed instrument :

Compared to the swap:

- No risk of negative valuation unlike swap, so no risk of having to pay an unexpected cash flow in case of early unwinding (only remain to pay the spread of the premium for years to come).
- Very fair financing rate (see quotations above), which reproduces the swap rate with floor (excluding bank margin). Including bank margins (lower on caps than swaps with floors of about 10bps for technical reasons), the cap rate may be more advantageous than that of the swap with floor 0%.

Compared to caps 0,50% or 1% :

- Better ratio between the minimum and maximum level of financial charges due to the 0% floor on financing that prevents the benefit of an additional rate cut.

Disadvantages :

Compared to swap with floor 0% :

Premium to be paid, however, the overall financing rate is similar or better than that of the swap with floor and the premium can be spread to replicate the financial expenses of a swap and cancel this disadvantage.

Compared with caps 0,50% or 1% :

Higher premium, but the premium / cap ratio is more advantageous if rates rise faster than expected by the market. On the other hand, the 0.50% or 1% cap will be more advantageous if rates do not go up or go down (principle of the insurance deductible which is advantageous when there is no claim).

Next steps

- 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

- Constraints related to negative rates
- Euribor curves used for the financials expenses simulations
- Financing terms
- Profiles at maturity of different types of hedge

Negative Interest rates issue

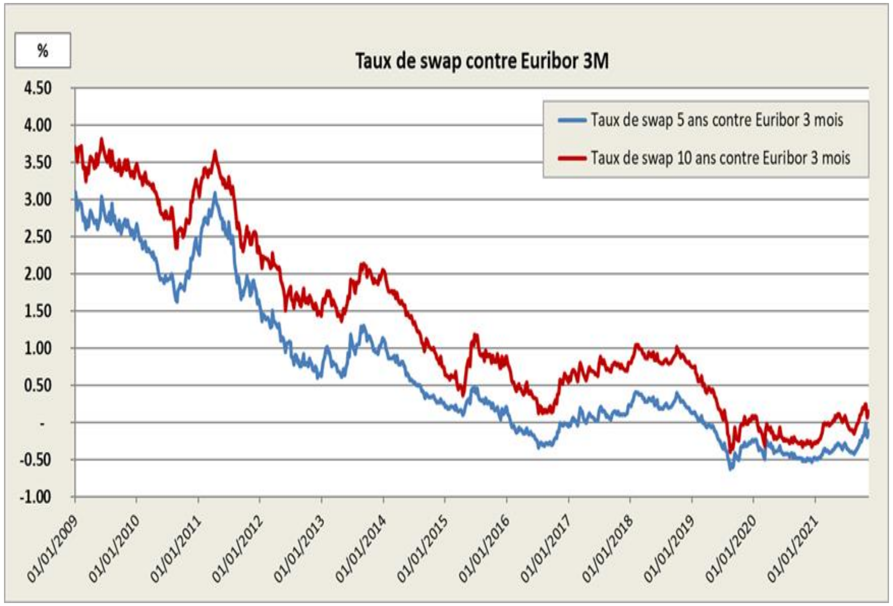
Short and medium terms euro rates are at historic lows due to continued weak growth and "quantitative" actions of many central banks, including the ECB, to try to boost inflation: negative money rates, massive bond buybacks to lower supply and demand rates and liquidity injections to encourage lending.

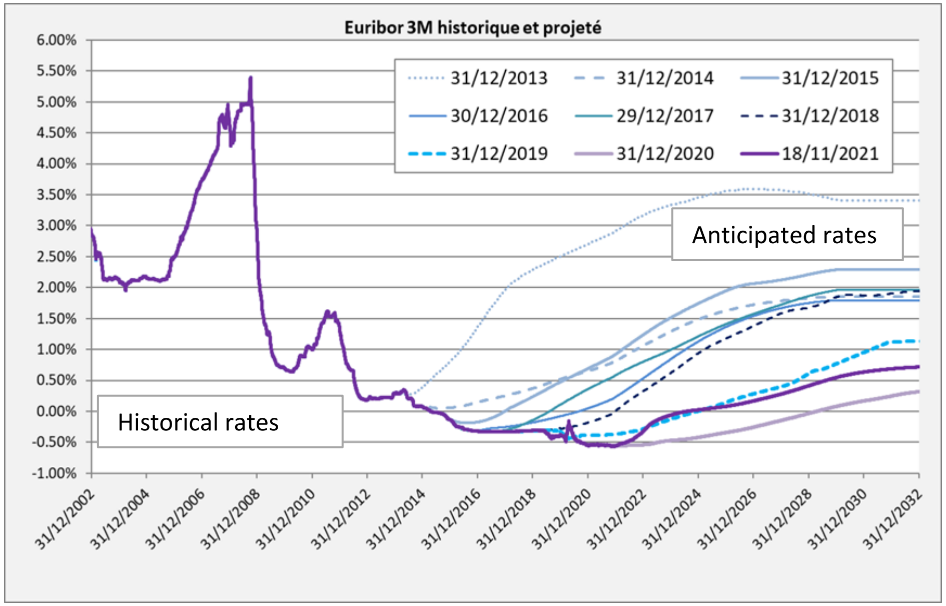
As a result:

- Euribor 3 months rate is expected to be negative until 2024
- Swap rates are negatives up to a 7 years maturity

Faced with these negative rates, which normally have to be passed on to the borrowers' loans, which should receive interest on the amounts borrowed, **banks have set up a floor on the remuneration of their financing.**

As a consequence, these **floors offset the effectiveness of swaps (and tunnels/collars)** that are not expected to replicate this situation with **negative variable rates**.





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

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 :

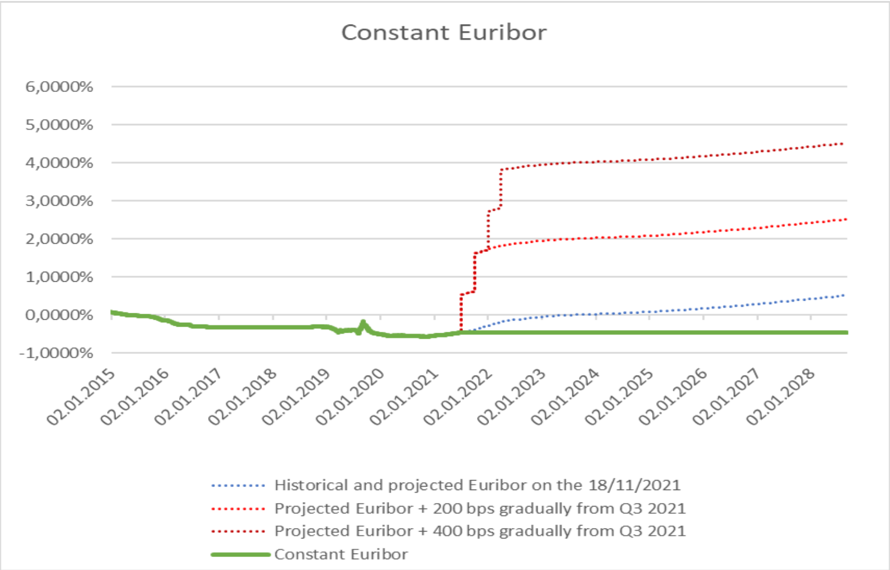
- No cap on the overall financing rate: the negative Libor rate is added to the fixed rate to be paid by the company.
- Potential problem with hedge accounting: if hedges are no longer considered as effective by the Auditors as a result of this issue, all mark-to-market swap fluctuations will be recorded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

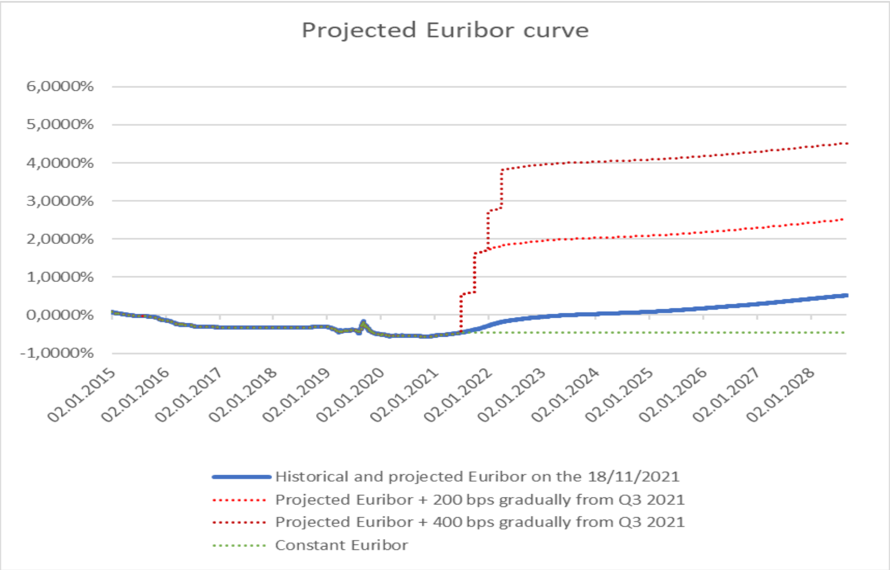
A similar problem arises with the collar: the floor of the collar doubles the floor of the financing. In the event of negative rates, it induces a loss which increases the financial expenses beyond the threshold rate (cap).

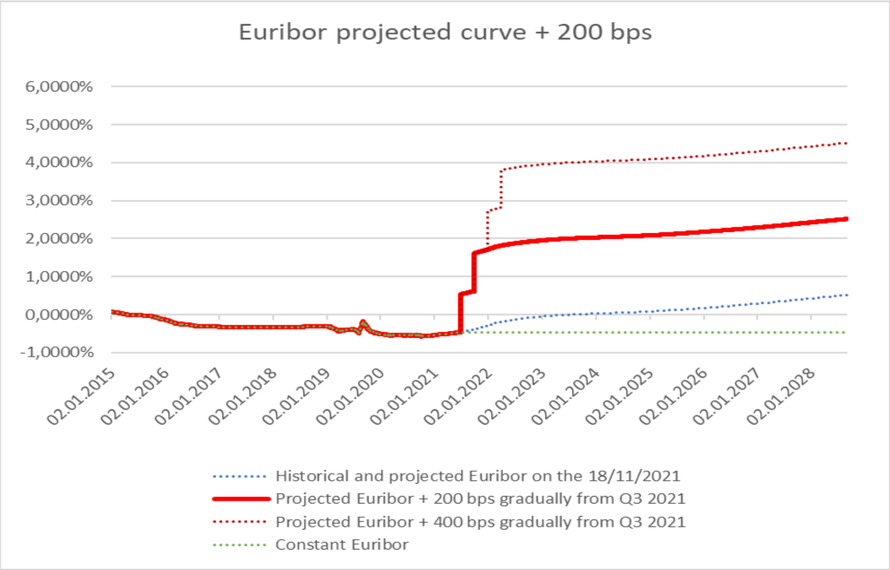
<u>**Technical solutions:**</u>

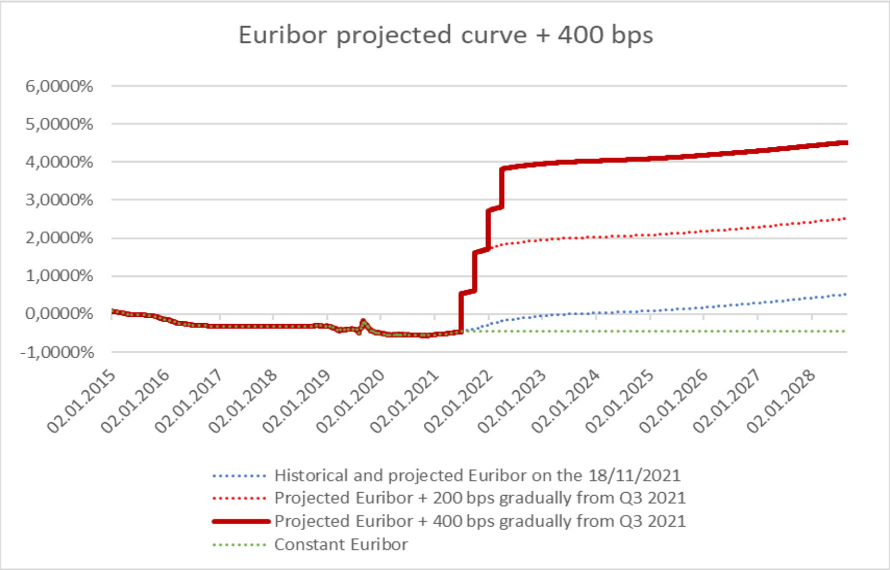
- Include in the swap a floor replicating that of the financing, but this has a cost. See simulations.
- Opt for a hedging with a **Cap**, which cannot generate negative valuation in the event of negative rates.

Euribor curves used for the financial expenses simulation









Facilities

EUR 32,500,000
SENIOR FACILITIES AGREEMENT

dated 15 April 2021

for

ZODIAC MIDCO B.V.

arranged by

BLACKROCK EMMPD II (INVESTMENT) S.À R.L.
UK SAIF (INVESTMENT) DAC
as Mandated Lead Arrangers

with

GLAS SAS
acting as Agent

and

GLAS SAS
acting as Security Agent

"**Total Commitments**" means the aggregate of the Total Facility B Commitments, the Total Revolving Facility Commitments and the Total Additional Facility Commitments, being EUR 32,500,000 at the date of this Agreement.

"**Total Facility B Commitments**" means the aggregate of the Facility B Commitments, being EUR 30,000,000 at the date of this Agreement.

"**Total Revolving Facility Commitments**" means the aggregate of the Revolving Facility Commitments, being EUR 2,500,000 at the date of this Agreement.

THIS AGREEMENT is dated 15 April 2021 and made between:

1. **ZODIAC MIDCO B.V.** (the "**Parent**");
2. **ZODIAC BIDCO B.V.** (the "**Company**");
3. **THE ENTITIES** listed in Part I of Schedule 1 (*The Original Parties*) as original borrowers (the "**Original Borrowers**");
4. **THE ENTITIES** listed in Part I of Schedule 1 (The Original Parties) as original guarantors (the "**Original Guarantors**");
5. **BLACKROCK EMMPD II (INVESTMENT) S.À.R.L.** and **UK SAIF (INVESTMENT) DAC** as mandated lead arrangers (whether acting individually or together, the "**Arranger**");
6. **THE ENTITIES** listed in Part II of Schedule 1 (*The Original Parties*) as lenders (the "**Original Lenders**");
7. **GLAS SAS** as agent of the other Finance Parties (the "**Agent**"); and
8. **GLAS SAS** as security agent for the other Secured Parties (the "**Security Agent**").

THE FACILITIES

The Facilities

(a) Subject to the terms of this Agreement:

  (i) the Facility B Lenders make available a Base Currency term loan facility in an aggregate amount equal to the Total Facility B Commitments; and

  (ii) the Revolving Facility Lenders make available a Base Currency revolving credit facility in an aggregate amount the Base Currency Amount of which is equal to the Total Revolving Facility Commitments.

(b) Facility B will be available to the Company and the Revolving Facility will be available to all the Borrowers.

(c) Subject to the terms of this Agreement and the Ancillary Documents and as from the RCF Replacement Date, an Ancillary Lender may make all or part of its Revolving Facility Commitment available to any Borrower as an Ancillary Facility.

Reimbursement

REPAYMENT

Repayment of Facility B Loan

(a) The Borrowers under Facility B shall repay the Facility B Loan in full on the Termination Date applicable to Facility B.

(b) The Borrowers may not reborrow any part of Facility B which is repaid.

Repayment of Revolving Facility Loans

(a) Subject to paragraph (c) below, each Borrower which has drawn a Revolving Facility Loan shall repay that Loan:

(i) prior to the RCF Replacement Date, on the Termination Date applicable to the Revolving Facility; and

(ii) as of the RCF Replacement Date, on the last day of its Interest Period.

"**Termination Date**" means:

(a) in relation to Facility B, the date which falls seven years after the Closing Date;

(b) in relation to the Revolving Facility,

(i) prior to the RCF Replacement Date, the date which falls six months after the Closing Date; and

(ii) as of RCF Replacement Date, the date which falls six years after the Closing Date; and

(c) in relation to any Additional Facility, as specified in the relevant Additional Facility Notice.

Hedging Requirement

"**Hedge Counterparty**" means any entity which has become a Party as a "Hedge Counterparty" in accordance with Clause 26.8 (*Accession by Hedge Counterparties and Additional Facility Lenders*), which is or has become, a party to the Intercreditor Agreement as a Hedge Counterparty in accordance with the provisions of the Intercreditor Agreement.

"**Hedging Agreement**" means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by the Company (or any other Borrower) and a Hedge Counterparty evidencing a Treasury Transaction permitted by the terms of this Agreement.

Interest

"**Interest Period**" means, in relation to a Loan, each period determined in accordance with Clause 12 (*Interest Periods*) and in relation to an Unpaid Sum, each period determined in accordance with Clause 11.3 (*Default interest*).

INTEREST PERIODS

Selection of Interest Periods

(a) A Borrower (or the Parent on behalf of a Borrower) may select an Interest Period for a Loan in the Utilisation Request for that Loan or (if the Loan is a Term Loan and has already been borrowed) in a Selection Notice.

(b) Each Selection Notice for a Term Loan is irrevocable and must be delivered to the Agent by the Borrower (or the Parent on behalf of the Borrower) to which that Term Loan was made not later than the Specified Time.

(c) If a Borrower (or the Parent) fails to deliver a Selection Notice to the Agent in accordance with paragraph (b) above, the relevant Interest Period will be three Months in relation to the Revolving Facility and be three Months in relation to a Term Facility.

"**Margin**" means:

(a) in relation to the Facility B Loan, 6.00 per cent. per annum;

(b) in relation to any Revolving Facility Loan,

(i) prior to the RCF Replacement Date, 6.00 per cent. per annum; and

(ii) as of the RCF Replacement Date, as agreed between the Parent and the RCF Replacement Lender (subject to a maximum to be agreed with the Agent, acting on the instructions of the Majority Lenders, each acting reasonably);

(c) in relation to any Additional Facility Loan, the percentage rate per annum (and, if applicable, any margin ratchet) specified by the Parent (or the Additional Facility Borrower) in the relevant Additional Facility Notice;

(d) in relation to any Unpaid Sum relating or referable to a Facility, the rate per annum specified below for that Facility; and

(e) in relation to any other Unpaid Sum, the highest rate specified below,

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

(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 13.1 (*Unavailability of Screen Rate*),

and if, in either case, that rate is less than zero, EURIBOR shall be deemed to be zero.

but if after 31 December 2021:

(i) no Material Event of Default has occurred and is continuing; and

(ii) Leverage in respect of the most recently completed Relevant Period is within a range set out below or as set out in the relevant Additional Facility Notice,

then (1) the Margin for each Loan under Facility B and, as of the RCF Replacement Date, the Revolving Facility will be the percentage per annum set out below in the column for that Facility opposite that range and (2) the Margin for each Additional Facility Loan will be the Margin set out in the relevant Additional Facility Notice for that range:

Leverage	**Facility B Margin** **% p.a.**	**Revolving Facility Margin** **% p.a.**
Greater than 5.25:1	6.50	as agreed with the RCF Replacement Lender
Less than or equal to 5.25:1 but greater than 4.50:1	6.25	as agreed with the RCF Replacement Lender
Less than or equal to 4.5:1 but greater than 4.00:1	6.00	as agreed with the RCF Replacement Lender
Less than or equal to 4.0:1 but greater than 3.25:1	5.75	as agreed with the RCF Replacement Lender
Less than or equal to 3.25:1	5.50	as agreed with the RCF Replacement Lender

INTEREST

Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

(a) Margin; and

(b) EURIBOR.

Payment of interest

(a) The Borrower to which a Loan has been made shall pay accrued interest on that Loan on the last day of each Interest Period (and, if the Interest Period is longer than six Months, on the dates falling at six Monthly intervals after the first day of the Interest Period).

Cross default

Cross default

(a) Any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period.

(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).

(c) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).

(d) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).

(e) No Event of Default will occur under this Clause 25.5:

(i) if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than the amount specified for this item in Schedule 14 (*Basket table*) (or its equivalent in any other currency or currencies) (provided that in this paragraph (d) only, Financial Indebtedness in respect of any Treasury Transaction shall be take into account the marked to market value after any applicable netting); or

(ii) if the Financial Indebtedness described in paragraphs (a) to (c) above (A) is incurred under Permitted Subordinated Debt or (B) is owed by one member of the Group to another member of the Group.

Various types of hedges

<u>Interest rate swap (example: fixed interest swap vs Euribor 3 months):</u>

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

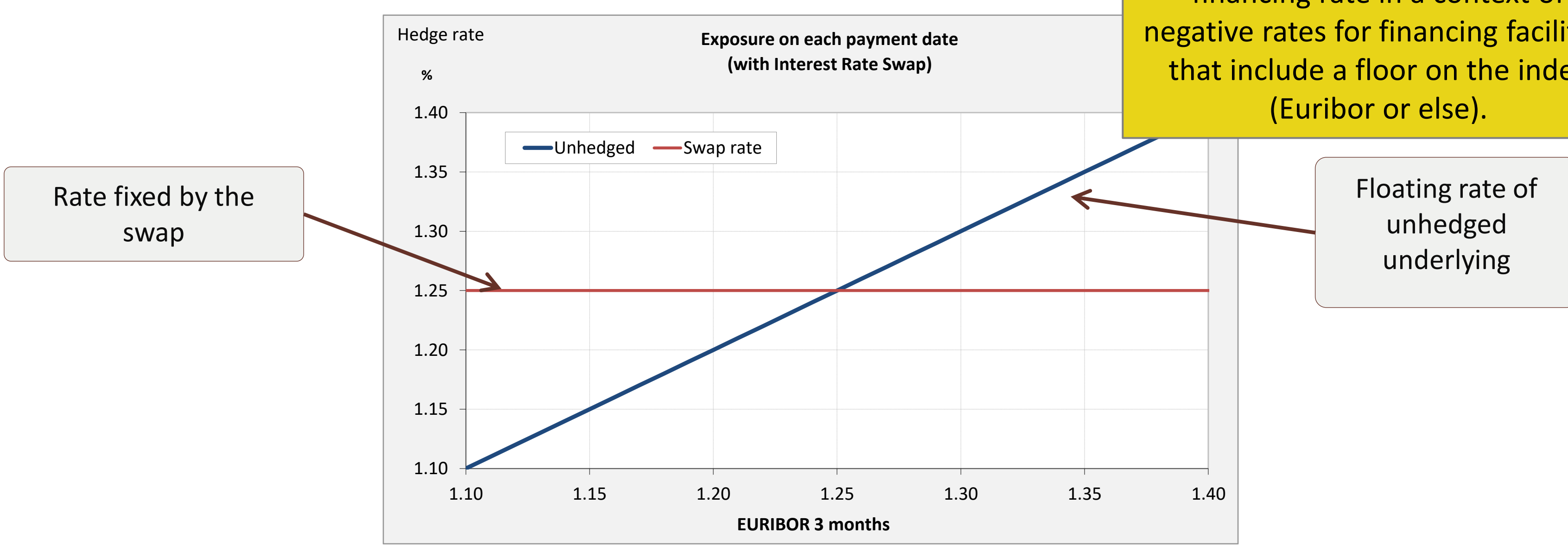
Swaps must be kept for the part of the exposure that cannot be reduced (risk of unlimited loss).

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 <u>risky</u> product <u>in case</u> of unanticipated <u>reduction of the underlying exposure</u> (debt repayment for example) after inception of the hedge <u>in case of negative mark to market valuation</u>.

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).



Various types of hedges

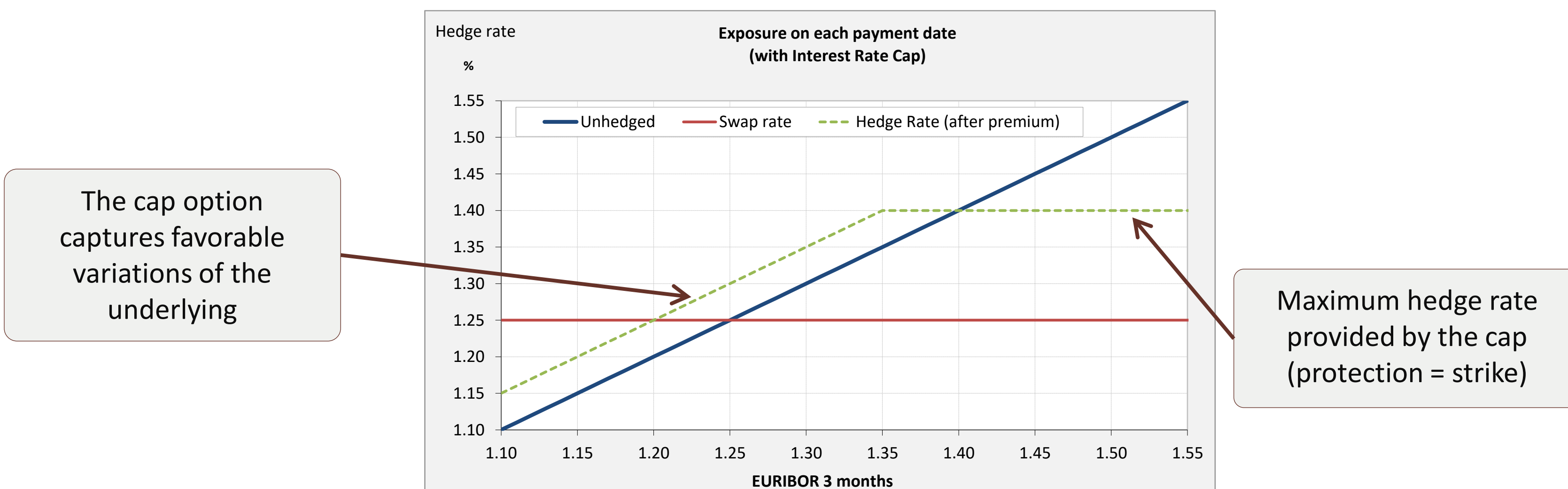
Interest rate Cap: Hedge in which the buyer of the cap receives payments from the bank at the end of each period (fixing date) if the market rate (Euribor or Libor for instance) exceeds the exercise rate of the cap (i.e. strike).
=> The "strike" is the protection rate of the cap.

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

Disadvantage:

- 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".



Various types of hedges

<u>Collars (combinations of options purchased and sold):</u>

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.

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

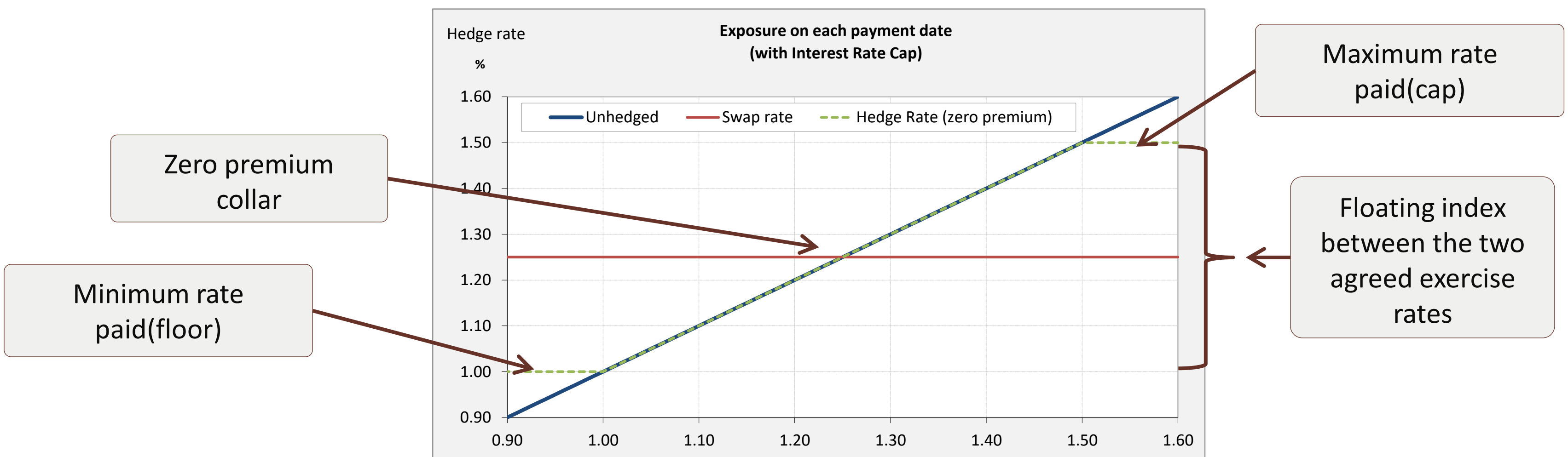
Advantages:

- 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

➢ 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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