

Solvay Finance (America), LLC

Financial Statements as of and for the
Years Ended December 31, 2021 and 2020, and
Independent Auditor's Report

SOLVAY FINANCE (AMERICA), LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Solvay Finance (America), LLC:

Opinion

We have audited the financial statements of Solvay Finance (America), LLC (the "Company"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

May 6th , 2022

SOLVAY FINANCE (AMERICA), LLC

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(USD in thousands)**

	2021	2020
FINANCE REVENUE (Note 6)	\$ 58,606	\$ 91,089
FINANCE EXPENSE (Note 6)	(48,610)	(56,488)
COMMERCIAL AND ADMINISTRATIVE COSTS	(727)	(2,588)
OTHER OPERATING INCOME (Note 5)	<u>9,788</u>	<u>10,469</u>
INCOME BEFORE INCOME TAXES	19,057	42,482
INCOME TAX EXPENSE (Note 7)	<u>(4,087)</u>	<u>(7,457)</u>
NET INCOME FOR THE YEAR	<u>\$ 14,970</u>	<u>\$ 35,025</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 14,970</u>	<u>\$ 35,025</u>
INCOME ATTRIBUTABLE TO:		
Owners of the Company	<u>\$ 14,970</u>	<u>\$ 35,025</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	<u>\$ 14,970</u>	<u>\$ 35,025</u>

See notes to financial statements.

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SOLVAY FINANCE (AMERICA), LLC**STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020
(USD in thousands)**

	2021	2020
ASSETS		
NONCURRENT ASSETS:		
Financial receivable from affiliate (Note 9)	\$ 800,000	\$ 800,000
Deferred tax assets (Note 7)	<u>228</u>	<u>219</u>
Total noncurrent assets	<u>800,228</u>	<u>800,219</u>
CURRENT ASSETS:		
Financial receivables from affiliates (Note 9)	2,750,134	2,544,668
Trade receivables - net of allowance (Note 8)	415,328	247,417
Cash and cash equivalents	<u>2,291</u>	<u>588</u>
Total current assets	<u>3,167,753</u>	<u>2,792,673</u>
TOTAL	<u>\$ 3,967,981</u>	<u>\$ 3,592,892</u>
EQUITY AND LIABILITIES		
EQUITY:		
Common stock, \$1 par value, 1000 authorized, issued and outstanding	\$ 1	\$ 1
Additional paid-in capital	282,028	282,028
Retained earnings	<u>115,676</u>	<u>100,706</u>
Total equity	<u>397,705</u>	<u>382,735</u>
NONCURRENT LIABILITIES:		
Long-term financial debt (Note 8)	<u>797,951</u>	<u>797,307</u>
	<u>797,951</u>	<u>797,307</u>
CURRENT LIABILITIES:		
Trade payables (Note 8)	25,711	8,698
Current taxes payable to affiliate	13,758	9,662
Financial debt to affiliates (Note 9)	2,728,446	2,391,259
Other payables (Note 8)	<u>4,410</u>	<u>3,231</u>
Total current liabilities	<u>2,772,325</u>	<u>2,412,850</u>
TOTAL	<u>\$ 3,967,981</u>	<u>\$ 3,592,892</u>

See notes to financial statements.

SOLVAY FINANCE (AMERICA), LLC

**STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED DECEMBER 31, 2021 AND 2020
(USD in thousands)**

	Capital	Additional Paid in Capital	Retained Earnings	Total Equity
BALANCE - December 31, 2019	\$ 1	\$ 282,028	\$ 65,681	\$ 347,710
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>35,025</u>	<u>35,025</u>
BALANCE - December 31, 2020	<u>\$ 1</u>	<u>282,028</u>	<u>100,706</u>	<u>382,735</u>
BALANCE - December 31, 2020	\$ 1	\$ 282,028	\$ 100,706	\$ 382,735
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>14,970</u>	<u>14,970</u>
BALANCE - December 31, 2021	<u>\$ 1</u>	<u>282,028</u>	<u>115,676</u>	<u>397,705</u>

See notes to financial statements.

SOLVAY FINANCE (AMERICA), LLC**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(USD in thousands)**

	2021	2020
OPERATING ACTIVITIES:		
Net income for the year	\$ 14,970	\$ 35,025
Adjustments for:		
Amortization of debt financing fees (Note 6)	644	507
Income tax expense (Note 7)	<u>4,087</u>	<u>7,457</u>
	19,701	42,989
Movements in working capital:		
(Inflow) outflow in other receivables	(167,912)	28,283
Inflow (outflow) in trade, other and affiliate payables	<u>18,193</u>	<u>(13,712)</u>
Net cash (used in) provided by operating activities	<u>(130,018)</u>	<u>57,560</u>
INVESTING ACTIVITIES:		
Outflow in net financial receivables from affiliates (Note 9)	<u>(205,466)</u>	<u>(251,725)</u>
Net cash used in investing activities	<u>(205,466)</u>	<u>(251,725)</u>
FINANCING ACTIVITIES:		
Repayments of borrowings with third parties	-	(824)
Proceeds from borrowings with affiliates (Note 9)	<u>337,187</u>	<u>192,164</u>
Net cash provided by financing activities	<u>337,187</u>	<u>191,340</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,703	(2,825)
CASH AND CASH EQUIVALENTS—Beginning of the year	<u>588</u>	<u>3,413</u>
CASH AND CASH EQUIVALENTS—End of the year	<u>\$ 2,291</u>	<u>\$ 588</u>

See notes to financial statements.

SOLVAY FINANCE (AMERICA), LLC

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. COMPANY INFORMATION

Solvay Finance (America), LLC (the "Company"), a Delaware corporation, is a wholly owned subsidiary of Solvay America, Inc. (the "Parent Company"), which is owned by Solvay SA, a Belgian corporation. The Company's principal place of business is 504 Carnegie Center, Princeton, NJ 08540.

The Company provides cash and credit management and financing for the Parent Company, its subsidiaries, and related affiliates. Proceeds obtained from financings are loaned to the Parent Company, its subsidiaries, and affiliates on an as-needed basis, with interest being charged at the London InterBank Offered Rate (LIBOR), plus a certain percentage.

Effective February 1, 2017, the Company launched the Cash Accounting Management Simplification (CAMS) project, where the Company assumes all receivables in United States Dollars, Canadian Dollars, European Euros and Mexican Pesos without recourse, on behalf of CAMS Affiliates that are trading with North America/Latin American customers. Solvay intercompany payment terms are now 0 days only when they are CAMS affiliates.

Key Events

Covid-19

The impact of Covid-19 has been an evolving situation since early 2020. In March 2020, the World Health Organization declared the spread of coronavirus disease 2019 ("COVID-19") a worldwide pandemic. The pandemic has negatively impacted the global economy and caused significant volatility in the financial markets. As of and for the year ended December 31, 2021, the pandemic did not have a material adverse impact on the Company's financial condition, results of operations, or cash flows. The company engages in transactions only with financial institutions with a good credit rating. The company monitors and manages exposures to financial institutions with approved counterparty credit limits and credit risk parameters in order to mitigate the risk of default. There is no significant concentration of credit risk for the company because the receivables' credit risk is spread over a large number of customers and markets. Please see (note 8) for additional information regarding liquidity risk

2. ADOPTION OF NEW AND REVISED STANDARDS

The Company's financial statements for the years ended December 31, 2021 and 2020 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Early Adoption of Standards and Interpretations

The Company has elected not to adopt any standards or interpretations in advance of their effective application dates.

Standards and Interpretations applicable for the first time in 2021 or later

Interest Rate Benchmark Reform – Phase 2 (The IBOR Reform)

In January 2021, the IBOR Reform which amends *IFRS 9 Financial Instruments*, *IAS 39 Financial Instruments: Recognition & Measurement*, *IFRS 7 Financial Instruments: Disclosure*, *IFRS 4 Insurance Contracts*, and *IFRS 16 Leases* became effective. Solvay Finance America identified the main areas where the reform could have an impact and going forward will continue to monitor the market evolution resulting from the decisions taken by each of the relevant authorities of such benchmarks. The adoption of the amendments did not have more than an insignificant impact on the financial statements during the period.

Except for the IBOR Reform assessment, no other standards, interpretations, or amendments applicable for the first time in 2021 or later are expected to have more than an insignificant impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation—The financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. The financial statements are presented in U.S. dollars (Thousands USD).

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company's fair value measurements are level 2 inputs.

Use of Estimates—The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The main significant estimates and judgments used in financial statements of the Company are the expected credit loss provisions.

Statement of Compliance—The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Income Taxes—

Solvay Finance (America), LLC is included in the consolidated federal income tax return for the affiliated group ("the Solvay Holding Inc. Group"). For state income tax purposes, Solvay Finance (America), LLC is included in all unitary filings made by the members of the Solvay Holding Inc. Group.

Effective January 1, 2010, Solvay Finance (America) LLC made an election under the "check-the-box" rules, under which it will be taxed as a corporation beginning on the effective date.

Current Income Tax—Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred Income Tax—Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income taxes are recognized for all deductible temporary differences, carryforward of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

IFRS 9, Financial Instruments

General

Financial assets and liabilities are first recognized when the Company becomes a party to the contractual provisions of the instrument. Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization, using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call, and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Financial assets

Trade receivables are initially measured at their transaction price if they do not contain a significant financing component, which is the case for substantially all trade receivables. Other financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. A financial asset is classified as current when the cash flows expected to flow from the instrument

mature within one year. All recognized financial assets will subsequently be measured at either amortized cost or fair value under IFRS 9, *Financial Instruments*.

Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding is measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option;
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding is measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option;
- The interest rate applied to affiliate loans is based on interbank rates for the currency involved (daily average of the one-week rate for every business day of the relevant month), decreased by a fixed spread of 10 basis points. In any case, the all-in interest rate should not be below 0%.
- All other debt instruments are measured at FVTPL.

Financial liabilities

Financial liabilities are initially measured at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Subsequently, they are measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value;
- Financial guarantee contracts. After initial recognition, guarantees are subsequently measured at the higher of the expected losses and the amount initially recognized.

Impairment of Financial Assets—IFRS 9 requires the Company to recognize expected credit losses on all of its trade receivables: the Company applies the simplified approach and recognizes lifetime expected losses on all trade receivables, using the provision matrix in order to calculate the lifetime expected credit losses for trade receivables as required by IFRS 9, using historical information on defaults adjusted for the forward looking information. Impacts related to debt securities, loans, financial guarantees, and loan commitments provided to third parties, as well as cash and cash equivalents, are immaterial.

Cash and Cash Equivalents—Cash and cash equivalents in the balance sheets comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

Foreign Currency Transactions—The financial statements are presented in USD, which is the Company's functional and reporting currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the Company's functional currency are retranslated into the functional currency at the rate of exchange on the balance sheet date. All differences are taken to profit or loss. As a majority of the transactions of the Company are in USD the foreign currency risk and exposure is not material to the company. If this risk were to become material in the future, the

Company will enter into a variety of derivative financial instruments (forward, future, option, collars and swap contracts) to manage its exposure to foreign exchange rate risk.

4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and Assumptions—The key assumptions concerning the future and uncertainty in estimations at the balance sheet date may impose a risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Trade Receivables and Allowance for Doubtful Trade Accounts Receivable—Trade receivables are initially recognized at fair value and subsequently measured at amortized cost. Fair value represents the invoiced amounts, less adjustments for credit risk and estimated revenue deductions, such as rebates, chargebacks, and cash discounts. Doubtful trade receivables provisions are established based upon the difference between the recognized value and the estimated net collectible amount with the estimated loss recognized in the consolidated statements of comprehensive income within commercial expenses. When a trade receivable becomes uncollectible, it is written off against the doubtful trade receivables provision.

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is subject to the Company's established credit policy, procedures, and control relating to customer credit risk management. Credit quality of the customer is assessed and individual credit limits for each customer are established based on this assessment.

Outstanding customer receivables are regularly monitored at the business unit level. The Company does not require collateral from its customers.

The requirement for a potential impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables balance.

Deferred Tax Assets—Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in Note 7.

5. OTHER OPERATING INCOME

Other operating income is as follows (in thousands):

	2021	2020
Factoring Commissions	\$ 9,004	\$ 11,308
Foreign currency gains (losses)	787	(842)
Other miscellaneous (losses) gains	<u>(3)</u>	<u>3</u>
Other operating income	<u>\$ 9,788</u>	<u>\$ 10,469</u>

CAMS involves purchasing current receivables at their nominal values before their due dates, arising from supply of goods or services to customers. Amounts due from the purchased receivables are recognized as Trade receivables in the Company's balance sheet.

The Company collects a commission for the purchase of receivables and for managing the payables, comprising of an arm's length fee received for processing the ceded receivables and payables. The aforementioned fees are determined based upon the following factors: expected loss, return on equity risk, time value of money, foreign exchange hedging and service fees. Commissions are recognized as other operating income in the Statement of Comprehensive Income

Factoring commissions used in the computation decreased in 2021 and 2020 due to a decreased rate (USD-LIBOR Market) which is a consequence of the impact of the pandemic crisis (Covid-19) on the market. Covid-19 has impacted some business activity resulting in a decrease of sales invoicing, which resulted in a decrease with regards to the purchasing of receivables as well as managing the payables.

6. FINANCE REVENUE AND EXPENSE

(In thousands)	2021	2020
Finance revenue with related parties	<u>\$ 58,606</u>	<u>\$ 91,089</u>
Cost of borrowings with related parties	\$ (1,234)	\$ (9,305)
Cost of borrowings with banks	(35,749)	(35,602)
Credit line expense	(2,981)	(3,001)
Amortization of debt financing fees	(644)	(525)
Guarantee fees payable to related parties	<u>(8,002)</u>	<u>(8,055)</u>
Finance expense	<u>\$ (48,610)</u>	<u>\$ (56,488)</u>

Finance revenue in 2021 and 2020 consists of interest income from affiliates. Finance revenues and the cost of borrowing with related parties decreased mainly due to the decreasing market rate (LIBOR USD) due to the pandemic crisis. The decrease in the cost of borrowing with related parties is also due to the decreasing market rate (LIBOR USD) due to the decrease of the credit internal spread applied by Solvay of 55% compared to 2020 when the spread was a lot higher due to Covid-19 circumstances.

Guarantee Fees – On December 1, 2017 the Company entered into an agreement with Solvay SA (the Ultimate Parent), to guarantee USD – Denominated senior unsecured notes with a principal amount of \$800 million. The note is due to the Guarantor on December 3, 2025 and guarantee fees are assessed at an annual rate of 1.0%.

Interest receivable at the end of December 31, 2021 and 2020 were in the amounts of \$0 and \$ 2.845M respectively.

Interest payable at the end of December 31, 2021 and 2020 were in the amounts of \$2.836M and \$ 2.670M respectively.

7. INCOME TAXES

Current tax expense represents taxes paid or payable in respect of taxable income for the year, as well as any adjustments to taxes paid or payable (recovered or recoverable) related to previous years. Current tax benefit represents tax refunds or receivable in respect of taxable loss for the year,

as well as any adjustments to taxes received or refunds (recovered or recoverable) related to previous years.

Deferred tax expense represents tax that will be owed (or recovered) in future years, but which has already been recognized during the year, and that corresponds to the variation in the deferred tax items recorded in the balance sheets.

The income tax expense is composed of the following (in thousands):

	2021	2020
Current tax expense related to current year	\$ (4,096)	\$ (7,122)
Deferred income tax benefit (expense)	<u>9</u>	<u>(335)</u>
Total	<u>\$ (4,087)</u>	<u>\$ (7,457)</u>

Reconciliation of Income Tax Expense—The effective tax rate has been reconciled with the theoretical tax rate obtained by applying the nominal tax rate prevailing in the United States to the pretax income (loss) (in thousands).

	2021	2020
Income before income tax	<u>\$ 19,920</u>	<u>\$ 42,482</u>
Income tax expense of the Company computed on the basis of the United States federal rate of 21%	(4,002)	(7,330)
Tax effect of permanent tax items	(87)	(168)
Tax effect of rate changes	1	-
Tax effect of other items	<u>1</u>	<u>41</u>
Income tax expense	<u>\$ (4,087)</u>	<u>\$ (7,457)</u>

Deferred Taxes on the Balance Sheets—Deferred tax assets and liabilities are recorded in the balance sheets in respect of temporary differences arising from the fact that tax authorities apply different rules when assessing assets and liabilities than those used for financial purposes. Variations occurring during the year in the deferred taxes recorded in the balance sheets are taken into profit and loss.

Deferred taxes are calculated based on the prevailing tax rate, or where they have been changed, at the enacted rate that is expected to apply at the time of recording the taxes payable (or recoverable) in the statutory accounts.

Deferred tax assets are written down to the extent that it appears unlikely, in the light of expected future tax situations, that they will in the future generate either a reduction in the tax base or tax credits.

The deferred taxes recorded in the balance sheets fall into the following categories:

(In thousands)	Deferred Tax Assets (Liabilities)	
	2021	2020
Unrealized foreign exchange gain (loss)	\$ 62	\$ (32)
Interest accrued - Affiliates	-	(5)
Bad debt reserve	166	256
Total	\$ 228	\$ 219

Deferred income taxes arise from temporary differences in the valuation of certain assets and liabilities as determined for financial reporting purposes and federal income tax purposes. As of December 31, 2020, the Company measured its deferred tax items at its effective tax rate of 23.5%. The company's deferred tax items are measured at an effective tax rate of 23.7% as of December 31, 2021. Although realization is not assured, management believes it is more likely than not that the net deferred tax will be realized. The amount of the deferred tax considered realizable could be reduced in the near term if estimates of future taxable income are reduced.

8. NET INDEBTEDNESS

Financial Debt

Bonds Receivable—To secure a reduction in property taxes for Solvay Specialty Polymers USA, L.L.C., an affiliate of the Parent Company, the Company and the affiliate entered into a tax agreement with Richmond County, Georgia. Pursuant to such agreement, the development authority obtained the title to certain real and personal property of the affiliate in exchange for bonds issued to the Company on a noncash basis, which are to be settled with internal noncash book entries between the affiliate and the Company. The affiliate has the option to repurchase this property at the end of the lease for a nominal fee. As the Company served as an intermediary for the affiliate in a noncash transaction where the affiliate in substance loaned itself funds, the agreement was netted in the balance sheets of the Company as an affiliate receivable for the bond amount and an affiliate payable for \$31.3 million as of December 31, 2021 and December 31, 2020 respectively.

Long-Term Financial Debt— In December 2015, the Company issued two series of USD-denominated senior unsecured redeemable notes (the Notes) guaranteed by Solvay SA (the Ultimate Parent), with a combined principal amount of \$1.6 billion, to finance part of the Solvay Holding Inc.'s acquisition of Cytec Industries Inc. The series were issued in the principal amount of \$800 million, each, with contractual maturity date of December 3, 2020 (2020 Notes) and December 3, 2025 (2025 Notes), bearing fixed coupon rate of 3.40% and 4.45%, respectively, payable semi-annually. The Notes were redeemable in whole (but not in part) at the option of the Company, without a penalty, one month and three months prior to respective contractual maturity of the 2020 Notes and 2025 Notes at their principal amount inclusive of accrued and unpaid interest to the date of optional redemption. The Notes issuance costs of \$9.62 million were recorded as a reduction to the issue amount of the notes payable and are amortized into expense over the life of the notes. The 2020 Notes were prepaid in September 2019. As of December 31, 2021, the remaining balance of the 2025 Notes was \$798 million.

Borrowings and Credit Lines

Commercial Paper—The Company has a \$500.0 million commercial paper program, which is backed by lines of credit. These are unsecured lines of credit subject to certain bank terms and conditions. A fee is paid to the banks for these lines of credit, and interest rates are based on a premium over LIBOR. The Company had no borrowings outstanding under these lines of credit at December 31, 2021 and 2020. The Company did not issue commercial paper in 2021 or 2020.

The Company also has access to revolving credit facilities established by Solvay SA, which approximate \$3.3 billion at the end of 2021 and \$3.7 billion at the end of 2020. The decrease in the

borrowing capacity under the revolving credit facilities in 2021 was due to termination of the credit line with HSBC for €100.0 million as well as negative impact of foreign exchange conversion rates. All existing credit facilities are expected to continue to be available in 2022. Borrowings under these credit lines are not subject to financial covenants. There were no borrowings by the Company outstanding as of December 31, 2021 and 2020.

Commercial lines of credit have been entered into by Solvay America, Inc. and are available to the Company in the amount \$100 million with JPMorgan Chase, \$91 million with KBC Bank N.V., \$50 million with MUFG Bank Ltd. and \$15 million with Citibank N.A. Bank, N.A. Solvay Finance America entered into a commercial line of credit with Credit Agricole in the amount of \$100 million. These are all unsecured lines of credit subject to the usual bank terms and conditions. A fee is paid to the banks for the used portion of credit based on negotiated rates. The Company has not utilized any of these lines.

During 2021 and 2020, the Company recorded commitment fees in finance expense of \$3.0 million and \$3.0 million, respectively, for unsecured lines of credit.

Trade and Other Receivables and Payables— Effective February 1, 2017, the Company launched the Cash Accounting Management Simplification (CAMS) project, where the Company assumes all receivables in USD, CAD, MXN and EUR and manages all payables without recourse, on behalf of CAMS Affiliates that are trading with NAM/LAM customers. Solvay intercompany payment terms are now 0 days only when they are CAMS affiliates.

The Trade receivables balance of \$415.3 million at December 31, 2021, includes \$9.0 million related to affiliates and \$406.3 million related to third parties. The Trade receivables balance of \$247.4 million at December 31, 2020, includes \$3.9 million related to affiliates and \$243.5 million related to third parties.

The Trade payables balance of \$25.7 million at December 31, 2021, and \$8.7 million at December 31, 2020 respectively, are all related to third parties.

The Other payables balance of \$4.4 million at December 31, 2021, includes \$2.8 million of interest payable to a third party note holder. The Other payables balance of \$3.2 million at December 31, 2020, includes \$2.7 million of interest payable to a third party note holder.

9. RELATED-PARTY TRANSACTIONS

The statement of comprehensive income (loss) activity primarily consists of related-party transactions except for finance expense related to borrowings with banks.

Financial Debt to Affiliates---The current financial debt to affiliates balance of \$2.7 billion at December 31, 2021, includes \$1.2 billion due to Solvay Chemicals, Inc., which makes up 46.1% of the total, \$396.8 million due to Solvay Specialty Polymers USA, LLC, which accounts for 14.5% and \$332.2 million due to Cytec Global Holdings, Inc. which accounts for 12.1%.

The current financial debt to affiliates balance of \$2.4 billion at December 31, 2020, includes \$1.3 billion due to Solvay Chemicals, Inc., which makes up 52.6% of the total, \$366.6 million due to Solvay Specialty Polymers USA, LLC, which accounts for 15.3% and \$278.5 million due to Cytec Global Holdings, Inc. which accounts for 11.7%.

The loans bear interest on a floating rate based on LIBOR.

Financial Receivables from Affiliates-

The current financial receivables from affiliates balance of \$2.7 billion at December 31, 2021 includes \$1.4 billion due from Solvay America Inc., which accounts for 50.3%, \$620.1 million due from Solvay USA Inc., which accounts for 22.4.%, and \$376.8 million due from Solvay Holding Inc., which accounts for 13.6%.

The current financial receivables from affiliates balance of \$2.5 billion at December 31, 2020 includes \$1.4 billion due from Solvay America Inc., which accounts for 53.9%, \$601.8 million due from Solvay USA Inc., which accounts for 23.6.%, and \$322.8 million due from Solvay Holding Inc., which accounts for 12.7%.

The interest rate on these loans is a floating rate based on LIBOR. The remainder of the balance in 2021 and 2020 is due from various entities in the North American Free Trade Agreement (NAFTA) area to finance their operations.

During 2015, the Company loaned \$1.6 billion dollars to Solvay Holding Inc. to partially fund the acquisition of Cytec Industries Inc. In September 2019, \$800 million of the \$1.6 billion intercompany loan with Solvay Holding Inc. was settled. The remaining balance of the loan is included in Noncurrent Financial Receivables from Affiliates at December 31, 2021 and 2020. The interest rate on this loan is 4.53%. The intercompany loan payment was anticipated, but without indemnity.

Affiliate Payables— The December 31, 2021 and 2020 balances were \$0.0 million and \$0.0 million, respectively.

Key Management Personnel— The Company does not have any employees but pays the Parent Company for the services of four staff. This includes all direct pay and bonus pay stock option grants, perquisites, and company contributions for health and welfare benefits, retirement benefits, and government mandated benefits. Such expense is included in 'Commercial and Administrative Costs'.

10. RISKS

Credit Risk—Related parties factor their accounts receivable to the Company. These receivables are accepted either with or without recourse and payment is guaranteed by the Company to the related parties for those receivables accepted without recourse. The credit terms for the factored receivables follow the terms established by each party with its customers.

The Company recognizes expected credit losses on all of its trade receivables: it applies the simplified approach and recognizes lifetime expected losses on all trade receivables, using a provision matrix in order to calculate the lifetime expected credit losses for trade receivables, using historical information on defaults adjusted for the forward-looking information.

The Company's trade receivable portfolio net of expected credit losses totaled \$415.3 million and \$247.4 million as of December 31, 2021 and 2020, respectively. All of the receivables as of December 31, 2021 and 2020 were accepted without recourse. As of December 31, 2021, and 2020, the Company's allowances for doubtful customers were \$1.6 million and \$1.6 million respectively. The Company believes the allowances are adequate to cover any losses arising from these factored receivables based on our assessment of the aging of the receivable balances and any specific knowledge relating to the collectability of the receivable balances.

The Company's trade receivable balance at December 31, 2021 of \$415.3 million is comprised of \$406.3 million to third parties and \$9.0 million to affiliates.

	2021 Total	Net of Allowance	Not past due	Less than 30 days past due	Between 30 & 60 days past due	Between 60 & 90 days past due	More than 90 days past due
Trade Receivables	406.3	1.6	377.7	18.5	6.5	2.0	-

The Company's expected credit risk with regards to the above receivables is not material to the overall financial statements.

The Company's trade receivable balance at December 31, 2020 of \$247.4 million is comprised of \$243.5 million to third parties and \$3.9 million to affiliates.

	2020 Total	Net of Allowance	Not past due	Less than 30 days past due	Between 30 & 60 days past due	Between 60 & 90 days past due	More than 90 days past due
Trade Receivables	243.5	1.6	232.3	9.3	0.2	0.1	-

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

Liquidity Risk—The cash of the Company is pooled every day in Solvay Finance Ireland, an affiliated entity. The Company is financed by Solvay SA – Treasury Department, in charge of the financing of the whole Solvay SA group. The Company in turn finances the group's entities in the North American Free Trade Agreement area.

Interest Rate Risk—The Company is financed by the Solvay SA group through Solvay SA – Treasury Department and finances the Solvay entities of the NAFTA area. Interest rates that apply are determined at the group level each month considering costs arising from:

- Loans from the financial companies to financial relays (fixed + variable spread),
- Loans from the financial relays to the operational entities (fixed + variable spread).

To ensure that costs are covered at the level of financial relays, the fixed spread is higher in the latter case. Interest rate sensitivity is immaterial for the Company in 2021 and 2020 respectively.

11. SUBSEQUENT EVENTS

On 24 February 2022, the Government of Russia launched a large-scale military operation in Ukraine. As a result, the international community imposed sanctions on Russia, which in turn prompted the Russian government to impose sanctions against some countries, including those in the European Union creating turmoil in the energy markets, raw materials sourcing, financing and banking systems. Our company is implementing a strict compliance policy, which also covers export control and application of all the sanctions defined against Russia.

The anticipated impact of the conflict is a surge in inflationary pressure, which is already intense and is expected to be mitigated in 2022 through additional pricing and sourcing initiatives. The company will continue to closely monitor the situation and the evolution of the conflict.