

Rosier SA
Société anonyme
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7911 Frasnes-lez-Anvaing
0401.256.237 (RLE Tournai)

(the **Company**)

SPECIAL REPORT OF THE BOARD OF DIRECTORS PURSUANT TO ARTICLE 7:228 OF THE BELGIAN CODE OF COMPANIES AND ASSOCIATIONS

1. INTRODUCTION

In accordance with article 7:228 of the Belgian Code of Companies and Associations (the **BCCA**), if the net-asset value of a company limited by shares falls below one half or one quarter of its share capital, due to losses incurred, the so-called “alarm bell procedure” must be applied. Pursuant to the alarm bell procedure, an extraordinary general shareholders’ meeting must be convened within two (2) months from the time when the loss was ascertained or should have been ascertained by virtue of the legal or statutory provisions to deliberate and resolve on (the measures announced in the agenda to ensure) the continuity of the company’s activities based on a special report drawn up by the company’s board of directors or the company’s dissolution.

In an alarm bell scenario, the board of directors of the company concerned must therefore prepare and submit a special report to the extraordinary general meeting in which it proposes the continuation or dissolution of the company. Unless the board of directors proposes the dissolution of the company, the special report must set out the measures proposed by the board of directors to ensure the continuity of the company’s activities.

According to article 7:229 of the BCCA, if the net assets have fallen below EUR 61,500, any interested party or the public prosecutor may apply to the court for the dissolution of the company. The court may, if necessary, grant the company a binding time limit to regularise its situation.

2. BACKGROUND

On the basis of the annual results for the financial year ending 31 December 2021, it was established by the board of directors of the Company (the **Board**) that the net assets of the Company had fallen below one quarter of its share capital, which triggered the application of the alarm bell procedure in accordance with article 7:228 of the BCCA.

In this context, a Board meeting was held on 8 February 2022, during which the Board resolved, a.o., to approve the special report drawn up by the Board in accordance with article 7:228 of the BCCA (the **Initial Board Report**) and to convene an extraordinary general meeting, which was held on 14 March 2022, to deliberate and resolve on (the measures announced in the agenda to ensure) the continuity of the Company’s activities based on the Initial Board Report. The measures proposed by the Board in its Initial Board Report to ensure the continuation of the Company included the Capital Increase (as defined below), the entry into the New Committed Facility (as defined below) and the Improvement of Operational Results (as defined below).

However, on 12 March 2022, following the outbreak of war in Ukraine and its negative impact on the Company’s activities, the Company issued a press release to inform its shareholders and the market of the on-going assessments being made at that time to determine whether additional measures should be taken in order to ensure the short-term financing of the Company. In view thereof, the Board proposed to the shareholders to postpone at the extraordinary general shareholders’ meeting of 14 March 2022 the decision-making relating to

the proposed continuity of the Company's activities and the proposed remediation measures to a future meeting.

On 14 March 2022, in light of the above developments and pending the Board's assessment of potential additional measures, the extraordinary general shareholders' meeting (i) acknowledged the Initial Board Report and (ii) following deliberations on the measures proposed in the Initial Board Report, decided to postpone to a future meeting the decision-making relating to the proposed continuity of the Company's activities and the proposed remediation measures, including the deliberation and decision-making on the in that context proposed Capital Increase.

As the assessments referred to above have been completed in the meantime, there is now a better view on the impact of the war in Ukraine on the Company's operations and the measures that should be taken to ensure the Company's continuation. On the basis of these assessments, the Board concluded that the Transaction (as defined below) could be completed on substantially the same terms and conditions as those presented in February 2022 and, accordingly, proposes to the shareholders of the Company to carry out the Capital Increase, which will go hand in hand with the conclusion of the New Committed Facility and the Improvement of Operational Results. These three remediation measures are proposed as a package, to be implemented concurrently.

The Board has convened a new extraordinary general shareholders' meeting, which will be held before notary Robberechts Emmanuelle, at the registered office of the Company, together with the annual general shareholders' meeting on 16 June 2022 (the **Extraordinary General Meeting**) to resolve a.o., on the measures announced in the agenda to ensure the continuity of the Company's activities.

3. FINANCIAL SITUATION

As mentioned in the Initial Board Report, on the basis of the (audited) annual results for the financial year ending 31 December 2021, it has been established by the Board that the net assets of the Company have fallen below one quarter of its share capital, which triggers the application of the alarm bell procedure in accordance with article 7:228 of the BCCA. Given that the net-assets of the Company have also fallen below EUR 61,500, any interested party or the public prosecutor can apply to the court for the dissolution of the Company in accordance with article 7:229 of the BCCA.

As also set out in the Initial Board Report, the Company's financial situation as at 31 December 2021 was as follows:

Share capital:	EUR 2,550,000
Issue premium:	EUR 198,314.82
Reserves:	EUR 11,355,773.16
Loss carried forward:	EUR -47,054,456.39
Capital subsidies:	EUR 40,918.46
Net-assets:	EUR -32,909,449.95

The key challenges the Rosier group had to face during 2021 are the following:

- The application of health requirements at its sites following the COVID-19 pandemic in order to guarantee the health of its employees, the safety of its processes and the maintenance of its activities;

- During the first half of the year, prices for most basic raw materials increased significantly, some even with more than 50%;
- NASC supply difficulties during the 1st and 3rd quarter, forced the Rosier group to change its production schedules and use alternative raw materials to NASC in order to continue producing. The Rosier group was forced to delay deliveries. This had a negative impact on Rosier's margins on top of the above-mentioned price increases;
- During the second half of the year, the main raw materials for Rosier have seen unprecedented price hikes, especially the ones produced from natural gas (NASC, Ammonia, Ammonium sulphate,...), but also for phosphates and potassium. This had again a negative impact on Rosier's margins during this period;
- These increases, primarily driven by the exceptionally steep price increases of natural gas, have caused ammonia producers to reduce production output to limit their losses. This also created a shortage on the market for ammonia, NASC and ammonium sulphate;
- Sales volumes decreased by 6% compared with 2020, and the margins decreased with 29%.

4. PROPOSAL

In its Initial Board Report, the Board proposed to the shareholders to continue the activities of the Company and not to initiate any dissolution and liquidation of the Company and, to implement the following remediation measures in accordance with article 7:228 of the BCCA:

- (a) *Capital Increase by contribution in kind:* a recapitalisation of the Company consisting of a capital increase through contribution in kind by Borealis AG (**Borealis**), the Company's controlling shareholder, of (i) its receivables under the following shareholder loans that Borealis (as lender) entered into with the Company (as borrower): (A) the EUR 25 million intercompany loan agreement dated 16 July 2020 (effective as from 22 July 2020), and (B) the EUR 25 million intercompany loan agreement dated 16 July 2020 (effective as from 28 August 2020), (together, the **Borealis' Loans**) and (ii) a portion of the receivables under the current account (the **Current Account**) between Borealis Financial Services NV and the Company (receivables assigned by Borealis Financial Services NV to Borealis). It was envisaged that the receivables under the Borealis' Loans and the Current Account would each be contributed at nominal value in the Company's capital, for an aggregate amount of EUR 55 million and against the issuance of 2,750,000 new ordinary shares (the **Capital Increase**). Following the proposed Capital Increase, a debt would have been outstanding under the Current Account. This debt, together with any accrued interests on the Borealis' Loans up to the termination of the Borealis' Loans (see (b) below) and any accrued interests on the Current Account would have been repaid by the Company through the new intra-group financing facility as described in more detail below.
- (b) *New Committed Facility:* the termination of the Borealis' Loans and the Current Account and the entry into a new committed unsecured intra-group financing facility of up to EUR 15 million (which would, amongst other, be used to refinance the remaining outstanding debt balance under the Current Account to Borealis Financial Services NV) between Borealis (as lender) and the Company (as borrower) (the **New Committed Facility**; together with the Capital Increase, the **Transaction**).
- (c) *Improvement of operational results:* improvement of the operational results, and in the framework thereof assessment of the strategic options for Rosier Nederland B.V. (Dutch 100% subsidiary of the Company with its operations in Sas van Gent) in the near future, including the option of a divestment of Rosier Nederland B.V. (the **Improvement of Operational Results**).

Given the current financial situation of the Company and the more stable financial outlook, the Board considers that the implementation of the remediation measures set out above is justified and required in light of the decision to report in a going concern, even though there is a material uncertainty which may cast doubt on the Company's ability to continue as going concern after the Maturity Date (as defined below). Therefore, the Board proposes to proceed with the transactions proposed as part of these remediation measures on substantially the same terms and conditions as those presented in February 2022.

Accordingly, the Board reiterates its proposal to the Extraordinary General Meeting to continue the activities of the Company and not to initiate any dissolution and liquidation of the Company and to implement the Transaction on substantially the same terms and conditions as those presented in February 2022. It is being proposed for the Transaction to be implemented by 31 July 2022.

The proposed Capital Increase would improve the equity and solvency position of the Company and, consequently, ensure the continuity of the Company's activities. In addition, the Capital Increase would restore the net assets above EUR 61,500. As a result thereof, the amount of the net assets would be higher than half of the Company's share capital. In this respect, the Board refers to its special report dated 17 May 2022 drawn up in accordance with articles 7:179 §1 *juncto* 7:197 §1 of the BCCA in relation to the proposed Capital Increase.

The New Committed Facility is being proposed to safeguard the Company's liquidity position, as it is expected to cover the Company's needs up to the Maturity Date (as defined below) and ensure the Company's ability to continue as a going concern until the earlier of (i) 12 months following the effective date of the New Committed Facility (as defined in the New Committed Facility), but not later than 31 July 2023, or (ii) the date of any refinancing agreement between the Company and a third party creditor/investor (the **Maturity Date**), including for the purposes of articles 3:69 and 7:228 of the BCCA, without relying on any other financial support from the Borealis group going forward. The New Committed Facility is subject to the resolution of the general meeting of shareholders of the Company approving the Capital Increase and to an amendment agreement between Borealis Financial Services NV and the Company whereby the maximum limit under the Current Account existing between the parties is set at zero.

The margin set out in the New Committed Facility is deemed not to be unusual and in line with market rates and previous financing arrangements entered into with Borealis. The Company would not need to provide a security package to secure the repayment of its obligations. The fact that the Company is part of the Borealis group explains the need to comply with this group's financial policy, the provisions of which are not deemed unreasonable.

It is expected that the Capital Increase would improve the Company's ability to find alternative sources of financing. The Board will undertake its best efforts to find alternative sources of financing prior to the Maturity Date. There is a material uncertainty which may cast doubt on the Company's ability to continue as going concern after the Maturity Date, but the Board has reasonable expectations that the Company will have adequate resources to continue in operational existence for the foreseeable future and at least until the Maturity Date.

In addition, the Board is further looking into improving operational results, and is in the framework thereof also assessing strategic options for Rosier Nederland B.V. (Dutch 100% subsidiary of the Company with its operations in Sas van Gent) in the near future, including the option of a divestment of Rosier Nederland B.V.

31 May 2022

On behalf of the Board,

Name: Willy Raymaekers

Title: Director