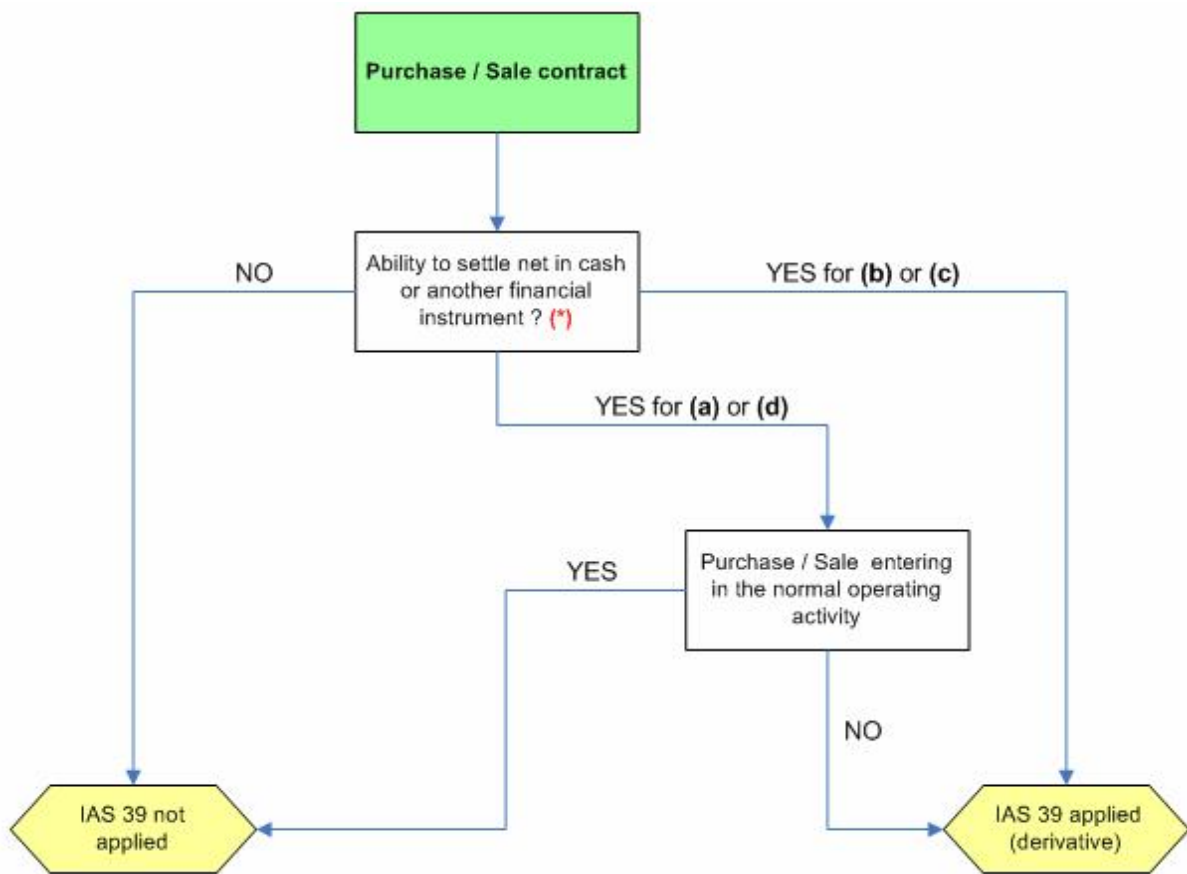


S02.04-SP-03-II.1

II - Complex Contracts: Procedure for classifying complex contracts

1. Contracts not classifiable as own-use contracts

The procedure for determining whether a contract is classifiable as an own-use contract is given below:



(*)

- (a) Contract terms permit either party to pay the net amount
- (b) For similar contracts, the entity has a practice of paying the net amount (cash, inverse contract settlement, contract sale ...)
- (c) The entity has a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or dealer's margin
- (d) The non-financial item that is the subject of the contract is readily convertible to cash

Example

Solvay signs a contract with MINE D'OR that enables Solvay to receive 1 kg of gold every month for a price of 100 MEUR per month during 2 years. Solvay intends to sell it at the market price in order to generate profit.

This contract is a non own-use contract as:

- Solvay sales the gold for the purpose of generating a profit from short-term fluctuations in price
- Gold is readily convertible to cash

This agreement will be considered as a derivative and **booked at fair value through profit and loss** according to [IFRS 9 - Financial Instruments](#).