

S03.04-IS-01-R450

Restructuring (R450)

Definition

Restructuring includes all measures designed to significantly adapt structures, production and employees (production, sales, administrative) to economic changes.

Restructuring plans include site closure and/or stop of activity. They should be distinguished from "Recovery plans", which result in a decrease in staff and that are reported under "R38220 - Recovery plans" above Underlying EBIT.

The cost of all arrangements associated with the restructuring decision and that qualify as restructuring costs, should be provided for in the year in which the decision to restructure is made. In this respect, note that costs, either associated with the ongoing activities, or not necessarily entailed by the restructuring, do NOT qualify as restructuring costs.

Note that each qualification of "restructuring" plan should be approved by the COMEX.

Restructuring costs linked to a restructuring plan:

One of the 4 criteria below has to be met for costs to be eligible for a restructuring plan, and therefore be accounted for below Underlying EBITDA:

1. Is the plan linked to a **discontinued** production at Group level?
Discontinued activity: activity which is stopped at Group level which means we don't continue this activity elsewhere in the world.
2. Does the plan lead to the closure of a **whole** site?
The closure of a workshop / line of production is not considered as a restructuring plan but well as a "recovery plan" which impacts Underlying EBITDA.
3. Is the plan aimed at mitigating the impact on continuing businesses due to the **divestment** of a CGU or GBU or due to the **acquisition of a major** activity?
A plan implemented following a change in perimeter is qualified as a restructuring plan.
4. Does the plan affect **several sites** of a BU, in a **material** manner (**more than 5 MEUR**)?
A plan which fundamentally changes the way the Group / a BU is conducted is qualified as a restructuring plan.

Restructuring costs are recognized when the general recognition criteria for provisions are met in accordance with IAS 37 conditions:

(IAS 37, par 72)

A constructive obligation to restructure arises only when an entity:

- has a **detailed formal plan** for the restructuring (...); and
- has raised a **valid expectation** in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Content

Restructuring costs are broken down into:

- [R45100 - Restructuring expenses of the period excluding depreciation](#)
- [R45200 - Use of restructuring provisions](#)
- [R45300 - Restructuring provisions](#)
- [R45500 - Restructuring - Impairment of intangible and tangible assets](#)
- [R45600 - Restructuring - Write-down of inventories / receivables](#)

Restructuring costs include:

- Severance pay, and
- All exit costs arising from restructurings, including impairment losses recognized on discontinued assets due to the closure of a site or operation.

They are recognized net of reductions in employee benefits already accrued, in case of loss of these benefits by employees.

Restructuring expenses of the period excluding depreciation (R45100)

These are actual restructuring expenses (cash-out at BU level) and include the following expenses types:

- Staff costs and other social costs:
 - Severance indemnities (for non-voluntary or voluntary leave)
 - Indemnities for a previous notice not worked
 - Leave reclassification
 - Grants and aids in the creation of enterprises
 - Outplacement costs
 - Expertise costs of an audit firm
 - Professional fees
 - etc...
- Charges (gains) associated with a shutdown (site, production unit, activity, commercial and administrative offices), causing the cessation of a going concern at the site level:
 - Contract termination fees (other than for rent/lease contracts for which an impairment of the right-of-use asset may need to be recognized - please refer to [FRG "leases"](#))
 - Destruction and restoration costs

- Gains from the sale of destruction materials (e.g.: scrap metal)
- Professional fees

Note: There is a link between the flow **F35** for the balance sheet headings "[L15800/L45800 - Provisions for restructuring LT/ST](#)". Read also global note on shutdowns in [here](#).

Use of restructuring provisions (R45200)

This relates to the use (cash-out) made on restructuring provisions relating to period expenses (**expenses reported under R45100**).

Note: R45200 should always correspond to the opposite amount posted on R45100. R45200 has therefore to offset R45100.

Restructuring provisions (R45300)

Restructuring costs are reported in here. Only costs which meet IAS 37 criteria as defined below shall be included in the restructuring provisions:

(IAS 37, par 80)

A restructuring provision shall include only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity.

(IAS 37, par 81)

A restructuring provision does not include such costs as:

- retraining or relocating continuing staff;
- marketing; or
- investment in new systems and distribution networks.

These expenditures relate to the future conduct of the business and are not liabilities for restructuring at the end of the reporting period.

A restructuring provision can include:

- Personnel costs (termination benefits), with mention of company site and the number of the FTE involved
- Consultant fees when consultants are hired to prepare the restructuring.
The total amount of the consultant fees should be broken down by main suppliers.
- Dismantling costs that may arise from a legal or constructive obligation
- Costs of termination of contracts, including associated legal fees, etc.

Notes:

- The full charge of the provisions (without cash counterpart) are reported here.
- There is a blocking control in BFC when there is a mismatch between the flow **F24** (non-recurring items) for the balance sheet headings "[L15800/L45800 - Provisions for restructuring LT/ST](#)".
- **Before reporting new restructuring provisions, the agreement from the Consolidation Department is required** in order to ensure these provisions relate well to a restructuring plan and not a recovery plan (competitive plan). Should they be a recovery, the charges are then reported under "[R38220 - Recovery plans](#)".

Restructuring - Impairment of intangible and tangible assets (R45500)

These are impairments (or accelerated depreciation) recognized on intangible and tangible fixed assets following a restructuring decision. It includes the impairment losses resulting from the shutdown of an activity or a plant.

The recoverable amount is the **fair value less costs to sell**.

Example: impairment of a furnace which will be turned off following the decision to shut down the installations.

Restructuring - Write-down of inventories / receivables (R45600)

These are the impairments booked on current and non-current assets following the restructuring decision.

This heading includes:

- Write-off of inventories
- Bad debts triggered by a restructuring plan

Note that only the write-off of raw materials and spare parts inventories shall be included in the restructuring costs. Any write-off of finished goods is treated as an expense incurred in the normal course of business and is excluded from the restructuring costs.