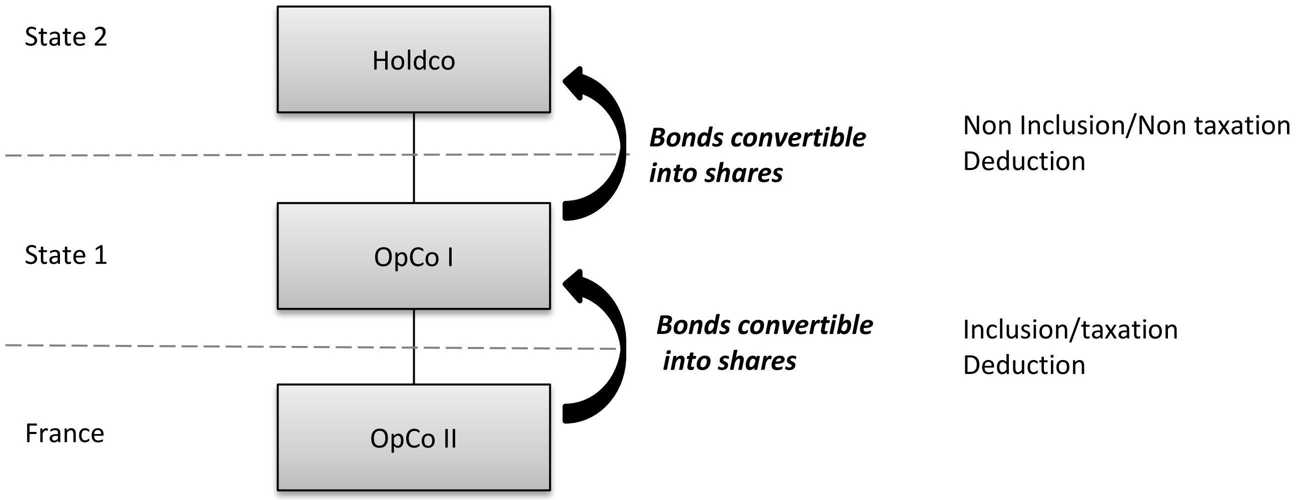
Example:



- *Bonds convertible into shares issued by the French company OpCo II:*

In France and in State 1, convertible bonds are treated as debt securities. The payments are deducted in France and included in taxable profit in State 1.

- *Bonds convertible into shares issued by the French company OpCo I:*

In State 1, payments relating to convertible bonds are deductible.

In State 2, payments relating to convertible bonds are treated as equity securities income and are therefore exempt from corporate income tax.

In the absence of any anti-hybrid legislation in State 1, this transaction generates an asymmetric effect that can be classified in France as an imported hybrid arrangement.

Consequently, the company based in France (OpCo II) must forgo the deduction of interest.